



**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**With Report of**

**Certified Public Accountants**

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## Independent Auditor's Report

The Honorable Mayor and  
Members of the City Council  
Washington City, Utah

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington City, Utah, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington City, Utah, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As described in Note 1 to the financial statements, in fiscal year 2015, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules related to pensions, and additional required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Washington City's basic financial statements. The accompanying combining statements and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2015, on our consideration of Washington City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Washington City's internal control over financial reporting and compliance.



HintonBurdick, PLLC  
St. George, Utah  
December 3, 2015

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**Washington City, Utah**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

This section of Washington City's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2015. Please read it in conjunction with the City's financial statements, which follow this section.

**Financial Highlights**

- The assets and deferred outflows of resources of Washington City exceeded its liabilities and deferred inflows of resources at June 30, 2015 by \$182,383,375 (net position). Of this amount, \$18,056,794 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$7,466,120 (not including a GASB 68 restatement adjustment of (\$2,653,352)). Of this amount, \$3,330,532 relates to capital contributions of capital assets.
- As of the close of the current fiscal year, Washington City's governmental funds reported combined ending fund balances of \$12,325,171, which is an increase of \$6,590,596 from the prior year (excluding a golf course reclassification adjustment of (\$2,848,042)). Approximately 2.7% (or \$331,994) of this total amount is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$331,994 or approximately 2.3% of total general fund expenditures.
- For the current fiscal year, Washington City's general fund revenues exceeded general fund expenditures by \$37,619 before interfund transfers and other financings sources and uses.
- Washington City's total long-term debt increased by \$4,050,603 or 9.79% during the current fiscal year.

**Overview of Financial Statements**

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements and the required and other supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements:
  - The government funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
  - Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses.

The financial statements also include notes that explain some of the information in the financial statements and provide additional details. The statements are followed by sections of required and other supplementary information that further explains and supports the information in the financial statements.



**Government-wide financial statements.** The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets (and deferred outflows of resources) and liabilities (and deferred inflows of resources). All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position—essentially the difference between the City's assets (and deferred outflows) and liabilities (and deferred inflows)—is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one should consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads.

The government-wide financial statements of the City are divided into two categories:

- *Governmental activities*—Most of the City's basic services are included here, such as public safety, streets and highways, parks, recreation and general administration. Property taxes, sales taxes, energy taxes, franchise taxes, state grants and impact fees finance most of these activities.
- *Business-type activities*—The City charges fees to customers to help it cover the costs of services it provides. The City's water, sewer and electric activities (among others) are included here.

**Fund financial statements.** The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources (revenues) and uses (expenditures) of funding for particular purposes.

- Some funds are required by state law and by bond covenants.
- The City Council establishes other funds to control and manage resources for particular purposes.

The City has two kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash* and *other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed, short-term view that help one determine whether there are financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided that explains the relationship (or differences) between them.
- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the City's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The City also maintains an *internal service fund* that accounts for fleet services provided to other departments or funds of the City on a cost-reimbursement type basis.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets (and deferred outflows of resources) exceed liabilities (and deferred inflows of resources) by \$182,383,375 at the close of the fiscal year. By far the largest portion of Washington City's net position, (88.61% for governmental activities and 78.40% for business-type activities) reflects its investment in capital assets (i.e. land, infrastructure buildings, equipment) less any related debt used to acquire those assets that is still outstanding. Washington City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Washington City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Washington City's Net Position

	Governmental activities		Business-type activities		Total	
	6/30/2015	6/30/2014	6/30/2015	6/30/2014	6/30/2015	6/30/2014
Current and other assets	\$ 17,982,870	\$ 12,953,906	\$ 23,740,706	\$ 23,219,780	\$ 41,723,576	\$ 36,173,686
Capital assets	105,370,209	100,519,220	91,814,392	89,799,870	197,184,601	190,319,090
Total assets	123,353,079	113,473,126	115,555,098	113,019,650	238,908,177	226,492,776
Deferred outflows of resources	866,022	240,890	386,897	191,184	1,252,919	432,074
Long-term liabilities outstanding	27,318,886	19,340,413	21,290,022	22,696,310	48,608,908	42,036,723
Other liabilities	2,732,626	1,700,904	3,075,209	2,858,863	5,807,835	4,559,767
Total liabilities	30,051,512	21,041,317	24,365,231	25,555,173	54,416,743	46,596,490
Deferred inflows of resources	3,209,419	2,757,753	151,559	-	3,360,978	2,757,753
Net position:						
Net investment in capital assets	86,905,826	81,798,077	71,674,032	67,403,779	158,579,858	149,201,856
Restricted	5,130,811	4,806,239	2,940,686	5,505,718	8,071,497	10,311,957
Unrestricted	(1,078,467)	3,310,630	16,810,487	14,746,164	15,732,020	18,056,794
Total net position	\$ 90,958,170	\$ 89,914,946	\$ 91,425,205	\$ 87,655,661	\$ 182,383,375	\$ 177,570,607

### Percentage of Net Position

<u>Net position type</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net investment in capital assets	95.55%	78.40%	86.95%
Restricted net position	5.64%	3.22%	4.43%
Unrestricted net position	-1.19%	18.38%	8.63%
Total net position	100.00%	100.00%	100.01%

An additional portion of Washington City's net position (5.64% and 3.22%, respectively) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$15,732,020 (-1.19% and 18.38%, respectively) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Washington City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities, except for the unrestricted net position of governmental activities.

**Governmental activities.** Governmental activities increased Washington City's net position by \$3,320,707, excluding a restatement adjustment of (\$1,678,153) and a golf course fund reclassification of (\$599,330). See below table for details.

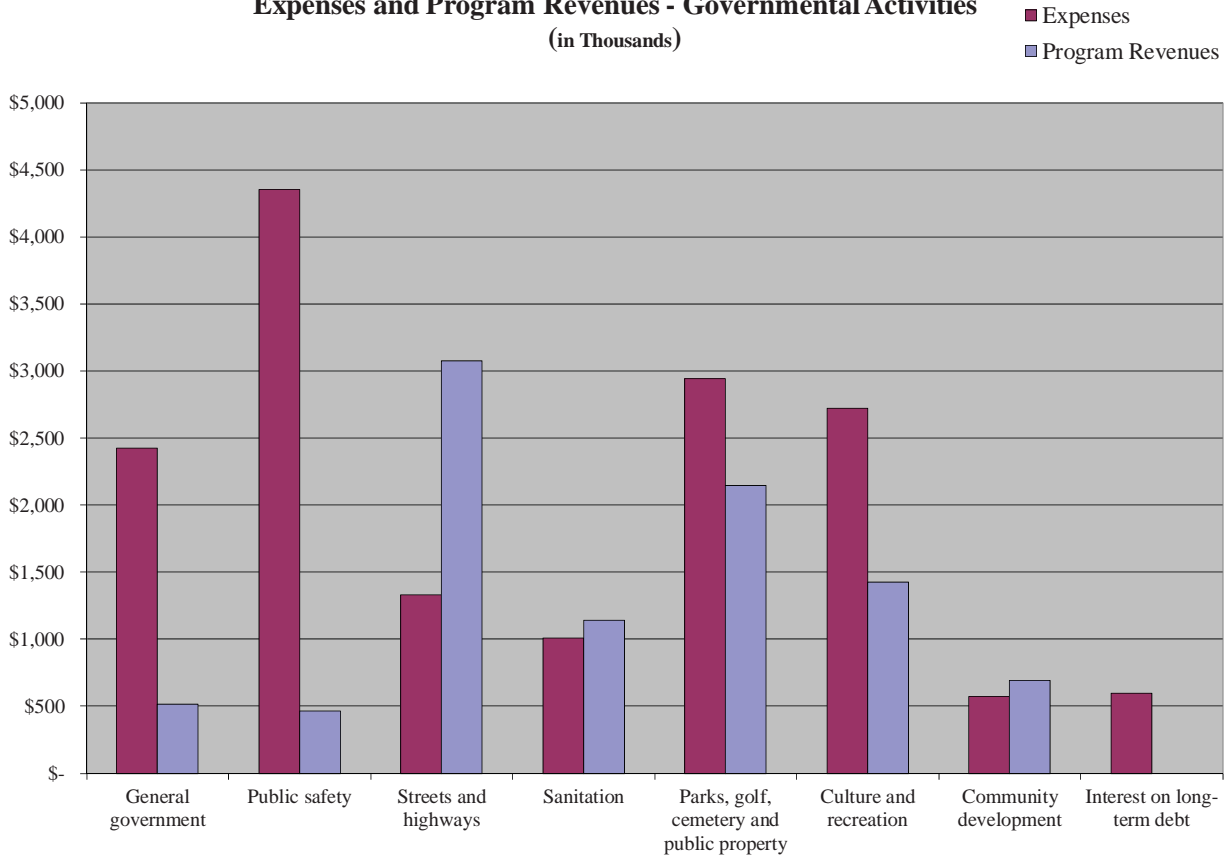
**Business-type activities.** Business-type activities increased Washington City's net position by \$4,145,413, excluding a restatement adjustment of (\$975,199) and a golf course fund reclassification of \$599,330. See below table for details.

### Washington City's Changes in Net Position

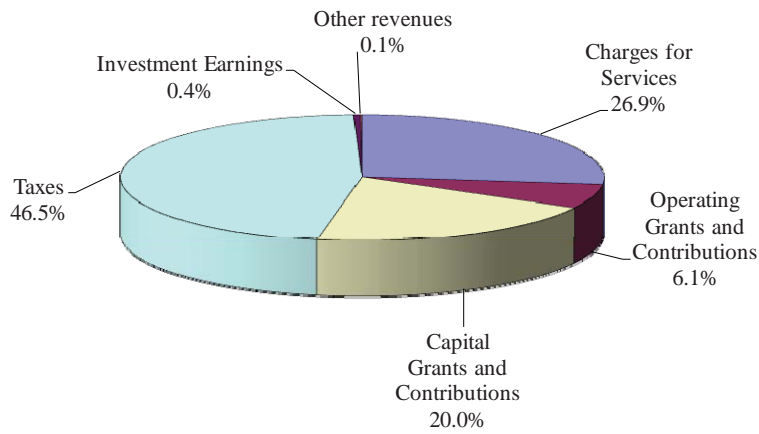
	Governmental activities		Business-type activities		Total	
	6/30/2015	6/30/2014	6/30/2015	6/30/2014	6/30/2015	6/30/2014
Revenues:						
Program revenues:						
Charges for services	\$ 4,799,093	\$ 3,973,951	\$ 17,275,201	\$ 17,278,121	\$ 22,074,294	\$ 21,252,072
Operating grants and contributions	1,089,303	1,191,794	-	-	1,089,303	1,191,794
Capital grants and contributions	3,567,600	4,952,775	4,490,025	5,063,964	8,057,625	10,016,739
General revenues:						
Taxes	8,953,458	8,327,156	-	-	8,953,458	8,327,156
Unrestricted investment earnings	76,758	68,078	273,451	325,804	350,209	393,882
Other	164,631	376,801	-	-	164,631	376,801
Total revenues	<u>18,650,843</u>	<u>18,890,555</u>	<u>22,038,677</u>	<u>22,667,889</u>	<u>40,689,520</u>	<u>41,558,444</u>
Expenses:						
General government	2,426,559	2,377,441	-	-	2,426,559	2,377,441
Public safety	4,352,800	4,117,504	-	-	4,352,800	4,117,504
Streets and highways	1,329,623	1,895,182	-	-	1,329,623	1,895,182
Sanitation	1,007,548	943,947	-	-	1,007,548	943,947
Parks, golf, cemetery and public property	2,941,295	1,454,795	-	-	2,941,295	1,454,795
Culture and recreation	2,719,472	2,906,627	-	-	2,719,472	2,906,627
Community development	570,334	544,709	-	-	570,334	544,709
Interest on long-term debt	600,115	604,138	-	-	600,115	604,138
Water	-	-	4,897,611	4,832,857	4,897,611	4,832,857
Sewer	-	-	1,546,568	1,421,175	1,546,568	1,421,175
Electric	-	-	10,064,091	10,088,474	10,064,091	10,088,474
Irrigation	-	-	98,033	93,166	98,033	93,166
Storm drain	-	-	669,351	543,829	669,351	543,829
Golf course	-	-	-	1,215,673	-	1,215,673
Total expenses	<u>15,947,746</u>	<u>14,844,343</u>	<u>17,275,654</u>	<u>18,195,174</u>	<u>33,223,400</u>	<u>33,039,517</u>
Change in net position before transfers	2,703,097	4,046,212	4,763,023	4,472,715	7,466,120	8,518,927
Transfers	617,610	443,494	(617,610)	(443,494)	-	-
Change in net position	3,320,707	4,489,706	4,145,413	4,029,221	7,466,120	8,518,927
Net position, beginning	89,315,616	85,425,240	88,254,991	83,626,440	177,570,607	169,051,680
Restatement adjustments	(1,678,153)	-	(975,199)	-	(2,653,352)	-
Net position, ending	<u>\$ 90,958,170</u>	<u>\$ 89,914,946</u>	<u>\$ 91,425,205</u>	<u>\$ 87,655,661</u>	<u>\$ 182,383,375</u>	<u>\$ 177,570,607</u>

The following graphs compare program expenses and program revenues and provide a breakdown of revenues by source for all governmental activities:

**Expenses and Program Revenues - Governmental Activities**  
(in Thousands)

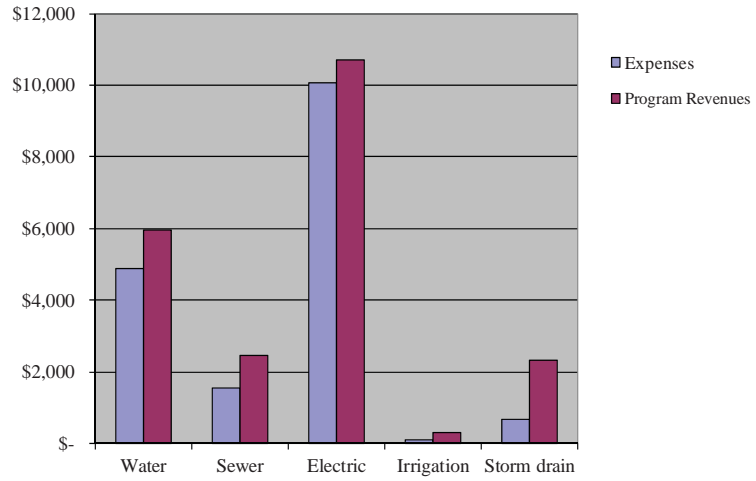


**Revenue By Source - Governmental Activities**



The following graph compares program expenses and program revenues for all business-type activities:

**Expenses and Program Revenues - Business- type Activities**  
(in Thousands)



## Financial Analysis of the Government's Funds

As noted earlier, Washington City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of Washington City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Washington City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Washington City's governmental funds reported combined ending fund balances of \$12,325,171, an increase of \$6,590,596 from the prior year; \$331,994 or approximately 2.7% of the fund balance constitutes *unassigned* fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is *restricted* (\$11,576,993) and *assigned* (\$416,184).

The general fund is the chief operating fund of Washington City. At the end of the current fiscal year, *unassigned* fund balance of the general fund was \$331,994 or approximately 52% of the total fund balance of \$642,327. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 2.3% of total general fund expenditures, while total fund balance represents approximately 4.5% of that same amount.

The MBA debt service fund has a total fund balance of \$6,304,658, which is restricted for capital outlay (unspent bond proceeds).

All other governmental funds (capital projects funds, special revenue fund, and Coral Canyon SSD fund) have a total fund balance of \$5,378,186, which is restricted for or assigned to capital outlay or debt service.

**Proprietary funds.** Washington City's enterprise funds provide the same type of information found in the government-wide financial statements, but in more detail.

The combined unrestricted net position for the enterprise funds total \$16,810,487 at the end of the fiscal year. All of the enterprise funds experienced increases in total net position for the current fiscal year.

### General Fund Budgetary Highlights

The general fund was amended during the year. Between the original and final budget there was a \$764,057 net decrease in appropriations. The general fund expenditures were less than the final budget by \$279,595. The general fund transfers out were less than the final budget by \$13,367.

### Capital Asset and Debt Administration

**Capital assets.** Washington City's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to \$197,184,601 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, utility systems, infrastructure (i.e. roads, and sidewalks), autos and trucks and machinery and equipment.

Washington City's Capital Assets  
(net of depreciation)

	Governmental Activities	Business-type Activities	Total
Land	\$ 2,913,379	\$ 2,297,563	\$ 5,210,942
Infrastructure	72,049,321	-	72,049,321
Construction in progress	1,314,384	3,641,721	4,956,105
Buildings and improvements	28,093,024	5,919,681	34,012,705
Improvements and systems	-	78,871,950	78,871,950
Machinery and equipment	462,933	724,966	1,187,899
Automobiles and trucks	537,168	358,511	895,679
Total	<u>\$ 105,370,209</u>	<u>\$ 91,814,392</u>	<u>\$ 197,184,601</u>

This fiscal year's major capital asset additions, including construction in progress, included:

- Three Rivers trail improvements
- Cemetery expansion project
- New police station
- Sullivan Park improvements
- Facility improvements (Siemens lease)
- Acquisition of automobiles and trucks for various funds
- Construction of various utility system improvements
- Contributions of various roads and systems within subdivision developments

The City uses the modified approach to account for infrastructure assets in the governmental funds; consequently, the City does not depreciate infrastructure assets. Instead, the City expenses certain maintenance costs to maintain the condition of these assets at a certain level. As shown in the accompanying required supplementary information, based on the City's recent condition assessment, improvements were made during the current fiscal year and the City's average rating of 16.19 exceeds the City's minimum of 12.60.

**Long-term debt.** At fiscal year-end, the City had \$45,408,727 in outstanding debt—an increase of 9.79% over the last fiscal year—as shown in the below table. More detailed information about the City's long-term debt (and other long-term liabilities) is presented in the notes to the financial statements.

Washington City's Outstanding Debt

	Governmental Activities		Business-type Activities		Total		Percent Change
	2015	2014	2015	2014	2015	2014	
General obligation bonds	\$ 8,899,000	\$ 8,788,000	\$ -	\$ -	\$ 8,899,000	\$ 8,788,000	1.26%
Lease revenue bonds	12,743,000	6,076,000	-	-	12,743,000	6,076,000	109.73%
Sales/Excise tax revenue bonds	3,023,000	3,395,000	-	-	3,023,000	3,395,000	-10.96%
Revenue bonds	-	-	18,999,139	21,153,783	18,999,139	21,153,783	-10.19%
Capital leases obligation	534,692	565,684	1,141,221	1,242,308	1,675,913	1,807,992	-7.31%
Notes payable	68,675	137,349	-	-	68,675	137,349	-50.00%
Total	<u>\$ 25,268,367</u>	<u>\$ 18,962,033</u>	<u>\$ 20,140,360</u>	<u>\$ 22,396,091</u>	<u>\$ 45,408,727</u>	<u>\$ 41,358,124</u>	9.79%

## **Next Year's Budget and Economic Factors**

Fiscal year 2015 continued to be a growth year for the City! Our residential growth expanded by approximately 6%, as we welcomed more than 870 new friends and neighbors. Our commercial sales tax base also grew by more than 10%. This growth continues to demand new and expanded services. This upcoming year we will see the opening of our Sullivan Park soccer fields and a new police station, along with new and improved roads and utility services.

There are no major policy changes anticipated for the 2016 fiscal year. We do believe that the economy is in a recovery mode for our area, as is indicated by the previously-mentioned tax numbers. What we anticipate in regards to this recovery mode and its impact upon the City is reflected in the fiscal year 2016 budget. We will continue to monitor the ever-changing state of the economy and make adjustments as needed.

The fiscal year 2016 budget was funded without a tax rate increase. After careful consideration of all revenue sources and conservative forecasts for future revenues, the budget was presented to the City Council as being funded within the scope of anticipated revenues and allowable fund balance use. The budget as adopted will continue the significant work that has come to be expected by our citizens as we strive to meet their needs and fulfill our personal commitments to provide high quality services to all those who live or visit our community.

## **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Budget Officer, 111 North 100 East, Washington City, Utah, 84780.



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**BASIC FINANCIAL STATEMENTS**

**WASHINGTON CITY, UTAH**  
**Statement of Net Position**  
**June 30, 2015**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,024,214	\$ 1,286,507	\$ 3,310,721
Investments	4,230,489	16,680,941	20,911,430
Receivables, net	4,331,061	2,799,836	7,130,897
Internal balances	(1,000,000)	1,000,000	-
Inventories	14,517	503,064	517,581
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	8,342,859	1,447,270	9,790,129
Net pension asset	39,730	23,088	62,818
Capital assets not being depreciated:			
Land, easements and water rights	2,913,379	2,297,563	5,210,942
Infrastructure	72,049,321	-	72,049,321
Construction in progress	1,314,384	3,641,721	4,956,105
Capital assets net of accumulated depreciation:			
Buildings and improvements	28,093,024	5,919,681	34,012,705
Improvements and systems	-	78,871,950	78,871,950
Machinery and equipment	462,933	724,966	1,187,899
Automobiles and trucks	537,168	358,511	895,679
Total assets	<u>123,353,079</u>	<u>115,555,098</u>	<u>238,908,177</u>
<b>Deferred Outflows of Resources</b>			
Deferred charge on refunding	499,326	173,804	673,130
Deferred outflows related to pensions	366,696	213,093	579,789
Total deferred outflows of resources	<u>866,022</u>	<u>386,897</u>	<u>1,252,919</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	2,591,102	2,961,026	5,552,128
Unearned revenue	-	33,762	33,762
Accrued interest payable	141,524	80,421	221,945
Noncurrent liabilities:			
Due within one year	1,967,504	1,120,685	3,088,189
Due in more than one year	25,351,382	20,169,337	45,520,719
Total liabilities	<u>30,051,512</u>	<u>24,365,231</u>	<u>54,416,743</u>
<b>Deferred Inflows of Resources</b>			
Deferred revenue - property taxes	2,948,612	-	2,948,612
Deferred inflows related to pensions	260,807	151,559	412,366
Total deferred inflows of resources	<u>3,209,419</u>	<u>151,559</u>	<u>3,360,978</u>
<b>Net Position</b>			
Net investment in capital assets	86,905,826	71,674,032	158,579,858
Restricted for:			
Debt service	822,591	1,117,476	1,940,067
Capital outlay	4,253,715	1,823,210	6,076,925
Other	54,505	-	54,505
Unrestricted	(1,078,467)	16,810,487	15,732,020
Total net position	<u>\$ 90,958,170</u>	<u>\$ 91,425,205</u>	<u>\$ 182,383,375</u>

The accompanying notes are an integral part of the financial statements.

**WASHINGTON CITY, UTAH**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Primary Business-type Activities		Total
			Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-type Activities	
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 2,426,559	\$ 494,563	\$ -	\$ 22,704	\$ (1,909,292)	\$ -	\$ -	\$ (1,909,292)
Public safety	4,352,800	36,601	320,512	108,623	(3,887,064)	-	-	(3,887,064)
Streets and highways	1,329,623	-	768,791	2,306,611	1,745,779	-	-	1,745,779
Sanitation	1,007,548	1,137,843	-	-	130,295	-	-	130,295
Parks, golf, cemetery and public property	2,941,295	1,016,301	-	1,129,662	(795,332)	-	-	(795,332)
Culture and recreation	2,719,472	1,424,362	-	-	(1,295,110)	-	-	(1,295,110)
Community development	570,334	689,423	-	-	119,089	-	-	119,089
Interest on long-term debt	600,115	-	-	-	(600,115)	-	-	(600,115)
Total governmental activities	15,947,746	4,799,093	1,089,303	3,567,600	(6,491,750)	-	-	(6,491,750)
<b>Business-type activities:</b>								
Water	4,897,611	4,692,276	-	1,273,747	-	1,068,412	-	1,068,412
Sewer	1,546,568	1,617,599	-	838,014	-	909,045	-	909,045
Electric	10,064,091	10,048,483	-	647,068	-	631,460	-	631,460
Irrigation	98,033	17,038	-	289,871	-	208,876	-	208,876
Storm drain	669,351	899,805	-	1,441,325	-	1,671,779	-	1,671,779
Internal debt service	-	-	-	-	-	-	-	-
Total business-type activities	17,275,654	17,275,201	-	4,490,025	-	4,489,572	-	4,489,572
<b>Total primary government</b>	<b>\$ 33,223,400</b>	<b>\$ 22,074,294</b>	<b>\$ 1,089,303</b>	<b>\$ 8,057,625</b>	<b>(6,491,750)</b>	<b>4,489,572</b>	<b>(2,002,178)</b>	<b>(2,002,178)</b>
<b>General Revenues:</b>								
<b>Taxes:</b>								
Property taxes					3,194,968	-	-	3,194,968
Sales taxes					4,690,546	-	-	4,690,546
Franchise taxes					408,877	-	-	408,877
Energy taxes					659,067	-	-	659,067
Unrestricted investment earnings					76,758	273,451	-	350,209
Other revenues not restricted to specific programs					145,867	-	-	145,867
Gain on sale of capital assets					18,764	-	-	18,764
Transfers					617,610	(617,610)	-	-
Total general revenues and transfers					9,812,457	(344,159)	-	9,468,298
Change in net position					3,320,707	4,145,413	-	7,466,120
Net position - beginning					89,315,616	88,254,991	-	177,570,607
Restatement adjustment					(1,678,153)	(975,199)	-	(2,653,352)
Net position - ending					\$ 90,958,170	\$ 91,425,205	\$ -	\$ 182,383,375

The accompanying notes are an integral part of the financial statements.

**WASHINGTON CITY, UTAH**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

	<u>General Fund</u>	<u>Municipal Building Authority</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 341,686	\$ -	\$ 1,581,699	\$ 1,923,385
Investments	712,026	-	3,518,463	4,230,489
Receivables	269,669	-	541	270,210
Property taxes receivable	2,204,750	-	743,862	2,948,612
Due from other governments	1,107,046	-	5,193	1,112,239
Restricted cash and cash equivalents	794,069	6,759,244	789,546	8,342,859
Total assets	<u>\$ 5,429,246</u>	<u>\$ 6,759,244</u>	<u>\$ 6,639,304</u>	<u>\$ 18,827,794</u>
<b>Liabilities, deferred inflows, and fund balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 667,453	\$ 454,586	\$ 517,256	\$ 1,639,295
Accrued wages and taxes	258,934	-	-	258,934
Other payables	34,307	-	-	34,307
Construction bonds payable	621,475	-	-	621,475
Due to other funds	1,000,000	-	-	1,000,000
Total liabilities	<u>2,582,169</u>	<u>454,586</u>	<u>517,256</u>	<u>3,554,011</u>
<b>Deferred inflow of resources:</b>				
Deferred revenue - property taxes	2,204,750	-	743,862	2,948,612
Total deferred inflows of resources	<u>2,204,750</u>	<u>-</u>	<u>743,862</u>	<u>2,948,612</u>
<b>Fund balances:</b>				
<b>Restricted for:</b>				
Debt service	169,376	-	794,739	964,115
Capital outlay - impact fees	-	-	2,600,516	2,600,516
Capital outlay - other	-	6,304,658	1,653,199	7,957,857
Class C roads	54,505	-	-	54,505
<b>Assigned to:</b>				
Capital outlay	-	-	329,732	329,732
Community garden	20,864	-	-	20,864
Health premium rebate	65,588	-	-	65,588
Unassigned	331,994	-	-	331,994
Total fund balances	<u>642,327</u>	<u>6,304,658</u>	<u>5,378,186</u>	<u>12,325,171</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,429,246</u>	<u>\$ 6,759,244</u>	<u>\$ 6,639,304</u>	<u>\$ 18,827,794</u>

The accompanying notes are an integral part of the financial statements.

**WASHINGTON CITY, UTAH**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**To the Statement of Net Position**  
**June 30, 2015**

Amounts reported for governmental activities in the statement of net position are different because:

<b>Total fund balances - total governmental funds</b>		\$ 12,325,171
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
	Governmental capital assets	\$ 121,302,033
	Accumulated depreciation	<u>(15,931,824)</u>
		105,370,209
Net pension asset is not an available resource and, therefore, is not reported in the funds.		
		39,730
Some liabilities, including bonds payable, capital leases, and net pension liability, are not due and payable in the current period and therefore are not reported in the funds.		
	Bonds payable	(24,665,000)
	Capital leases payable	(534,692)
	Notes payable	(68,675)
	Net pension liability	(1,571,513)
	Compensated absences	(479,006)
	Accrued interest payable	<u>(141,524)</u>
		(27,460,410)
Deferred outflows and inflows of resources related to pensions and deferred charges or credits on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.		
	Deferred charge on refunding (amortized as interest expense)	499,326
	Deferred outflows related to pensions	366,696
	Deferred inflows related to pensions	<u>(260,807)</u>
		605,215
An internal service fund is used by management to charge the cost of fleet services to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities of the statement of net position.		
	Net position of the internal service fund	199,999
	Plus (less) items included in balances above:	
	Capital assets, net	(176,612)
	Net pension asset, liability and related deferrals	49,393
	Compensated absences included above	<u>5,475</u>
		78,255
<b>Net position of governmental activities</b>		<u><u>\$ 90,958,170</u></u>

The accompanying notes are an integral part of the financial statements.

**WASHINGTON CITY, UTAH**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

	<b>General Fund</b>	<b>Municipal Building Authority</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Current year property taxes	\$ 2,323,722	\$ -	\$ 732,236	\$ 3,055,958
Prior year property taxes	139,010	-	-	139,010
General sales and use taxes	4,690,546	-	-	4,690,546
Energy taxes	659,067	-	-	659,067
Franchise taxes	408,877	-	-	408,877
Licenses and permits	649,610	-	-	649,610
Intergovernmental revenues	1,168,703	-	-	1,168,703
Charges for services	3,698,871	-	-	3,698,871
Impact fees	-	-	2,045,225	2,045,225
Fines and forfeitures	370,388	-	-	370,388
Investment earnings	13,657	13,980	54,512	82,149
Miscellaneous	168,073	-	10,999	179,072
Total revenues	<u>14,290,524</u>	<u>13,980</u>	<u>2,842,972</u>	<u>17,147,476</u>
<b>Expenditures</b>				
Current:				
General government	2,330,763	-	203	2,330,966
Public safety	4,314,570	-	-	4,314,570
Streets and highways	691,833	-	690,059	1,381,892
Sanitation	1,007,548	-	-	1,007,548
Parks, golf, cemetery and public property	2,456,534	-	-	2,456,534
Culture and recreation	2,264,904	-	-	2,264,904
Community and economic development	583,683	-	-	583,683
Debt service:				
Principal	471,666	330,000	235,000	1,036,666
Interest	131,404	165,390	267,389	564,183
Bond issuance costs	-	96,320	47,219	143,539
Capital outlay	-	609,916	1,524,308	2,134,224
Total expenditures	<u>14,252,905</u>	<u>1,201,626</u>	<u>2,764,178</u>	<u>18,218,709</u>
Excess (deficiency) of revenues over (under) expenditures	<u>37,619</u>	<u>(1,187,646)</u>	<u>78,794</u>	<u>(1,071,233)</u>
<b>Other financing sources (uses)</b>				
Transfers in	1,746,787	495,296	899,838	3,141,921
Transfers out	(1,558,053)	-	(966,258)	(2,524,311)
Refunding bonds issued	-	-	3,361,000	3,361,000
Payment to escrow agent for refunding	-	-	(3,313,781)	(3,313,781)
Bonds and other debt issued	-	6,997,000	-	6,997,000
Total other financing sources and (uses)	<u>188,734</u>	<u>7,492,296</u>	<u>(19,201)</u>	<u>7,661,829</u>
Net change in fund balances	226,353	6,304,650	59,593	6,590,596
Fund balances - beginning	<u>415,974</u>	<u>8</u>	<u>5,318,593</u>	<u>5,734,575</u>
Fund balances - ending	<u>\$ 642,327</u>	<u>\$ 6,304,658</u>	<u>\$ 5,378,186</u>	<u>\$ 12,325,171</u>

The accompanying notes are an integral part of the financial statements.

**WASHINGTON CITY, UTAH**  
**Reconciliation of the Statement of Revenues**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended June 30, 2015**

Amounts reported for governmental activities in the statement of activities are different because:

<b>Net change in fund balances-total governmental funds</b>		<b>\$ 6,590,596</b>
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period as shown below:</p>		
Capital outlays	\$ 2,325,561	
Depreciation expense	<u>(1,270,297)</u>	1,055,264
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales and transfers) changes net position. In the statement of activities, only the gain or loss on the sale of capital assets is reported. However, in governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the carrying cost of the assets sold.</p>		
		(3,444)
<p>Sub divider and other capital contributions do not provide current financial resources in the governmental funds, however these contributions are recorded as revenue in the government-wide statement of activities.</p>		
		1,483,282
<p>Repayment of principal on long-term debt (including payment to escrow for bond refunding) is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position.</p>		
Principal repayments	1,036,666	
Payment to escrow agent for refunding	<u>3,313,781</u>	4,350,447
<p>The issuance of long-term debt provides current financial resources in the governmental funds but increases long-term liabilities in the statement of net position.</p>		
		(10,358,000)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The details of this difference are as follows:</p>		
Amortization of deferred charge on refunding	(40,345)	
Accrued interest, net change	51,632	
Compensated absences, net change	<u>(33,451)</u>	(22,164)
<p>Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the net pension liability is measured six months before the City's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the statement of activities.</p>		
Pension contributions	316,101	
Pension expense	<u>(72,580)</u>	243,521
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.</p>		
Unavailable revenue - grants, net change	<u>(56,696)</u>	(56,696)
<p>The internal service fund is used by management to charge the costs of fleet services to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.</p>		
Change in net position of the internal service fund	58,947	
Net activity included in balances above	12,104	
Less general capital assets transferred in	<u>(33,150)</u>	37,901
<b>Change in net position of governmental activities</b>		<b><u>\$ 3,320,707</u></b>

The accompanying notes are an integral part of the financial statements.



**WASHINGTON CITY, UTAH**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Revenues</b>				
Current year property taxes	\$ 2,229,802	\$ 2,286,802	\$ 2,323,722	\$ 36,920
Prior-years property taxes	60,000	127,000	139,010	12,010
General sales and use taxes	3,763,328	4,590,805	4,690,546	99,741
Energy taxes	634,415	634,415	659,067	24,652
Franchise taxes	1,050,335	410,000	408,877	(1,123)
Licenses and permits	655,395	603,200	649,610	46,410
Intergovernmental revenues	986,278	1,141,038	1,168,703	27,665
Charges for services	1,357,726	3,602,756	3,698,871	96,115
Fines and forfeitures	345,000	361,500	370,388	8,888
Investment earnings	2,400	14,500	13,657	(843)
Miscellaneous	205,445	146,727	168,073	21,346
Total revenues	<u>11,290,124</u>	<u>13,918,743</u>	<u>14,290,524</u>	<u>371,781</u>
<b>Expenditures</b>				
Current:				
General government	2,170,684	2,495,473	2,330,763	164,710
Public safety	4,382,323	4,354,815	4,314,570	40,245
Streets and highways	1,129,905	736,453	691,833	44,620
Sanitation	983,928	1,009,496	1,007,548	1,948
Parks, golf, cemetery and public property	1,348,045	2,460,414	2,456,534	3,880
Culture and recreation	-	2,253,751	2,264,904	(11,153)
Community and economic development	636,395	619,026	583,683	35,343
Debt service:				
Principal	-	471,667	471,666	1
Interest	-	131,405	131,404	1
Total debt service	<u>-</u>	<u>603,072</u>	<u>603,070</u>	<u>2</u>
Total expenditures	<u>10,651,280</u>	<u>14,532,500</u>	<u>14,252,905</u>	<u>279,595</u>
Excess of revenues over (under) expenditures	<u>638,844</u>	<u>(613,757)</u>	<u>37,619</u>	<u>651,376</u>
<b>Other financing sources (uses)</b>				
Transfers in	1,377,461	1,714,261	1,746,787	32,526
Transfers out	(2,251,278)	(1,571,420)	(1,558,053)	13,367
Debt issued	-	1,000,000	-	(1,000,000)
Total other financing sources and (uses)	<u>(873,817)</u>	<u>1,142,841</u>	<u>188,734</u>	<u>(954,107)</u>
Net change in fund balances	(234,973)	529,084	226,353	(302,731)
Fund balance - beginning	415,974	415,974	415,974	-
Fund balance - ending	<u>\$ 181,001</u>	<u>\$ 945,058</u>	<u>\$ 642,327</u>	<u>\$ (302,731)</u>

The accompanying notes are an integral part of the financial statements.

**WASHINGTON CITY, UTAH**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2015**

	Business-type Activities					Governmental Activities	
	Water	Sewer	Electric	Storm Drain	Other Enterprise Funds	Total Enterprise Funds	Internal Service Fund
<b>Assets</b>							
Current assets:							
Cash and cash equivalents	\$ -	\$ 748,882	\$ 264,134	\$ 268,463	\$ 5,028	\$ 1,286,507	\$ 100,829
Investments	4,431,199	5,207,970	4,273,951	2,767,821	-	16,680,941	-
Accounts receivable, net	732,071	129,363	1,857,995	73,953	6,454	2,799,836	-
Due from other funds	-	1,000,000	-	-	-	1,000,000	-
Inventory	-	-	503,064	-	-	503,064	14,517
Total current assets	<u>5,163,270</u>	<u>7,086,215</u>	<u>6,899,144</u>	<u>3,110,237</u>	<u>11,482</u>	<u>22,270,348</u>	<u>115,346</u>
Noncurrent assets:							
Restricted cash and cash equivalents	887,840	-	559,430	-	-	1,447,270	-
Net pension asset	7,265	5,151	9,310	1,256	106	23,088	1,376
Capital assets:							
Land	821,613	9,055	1,367,687	99,208	-	2,297,563	-
Buildings	1,216,922	1,953,176	3,300,239	-	-	6,470,337	324,370
Improvements and systems	45,195,455	19,838,354	25,459,589	11,378,334	1,954,269	103,826,001	-
Machinery and equipment	716,589	812,486	568,526	68,196	4,990	2,170,787	46,625
Automobiles and trucks	324,580	374,194	1,039,575	-	-	1,738,349	16,758
Construction in progress	3,617,090	14,239	-	10,392	-	3,641,721	-
Less accumulated depreciation	(13,465,586)	(5,685,636)	(7,654,637)	(1,219,016)	(305,491)	(28,330,366)	(211,141)
Total capital assets, net	<u>38,426,663</u>	<u>17,315,868</u>	<u>24,080,979</u>	<u>10,337,114</u>	<u>1,653,768</u>	<u>91,814,392</u>	<u>176,612</u>
Total noncurrent assets	<u>39,321,768</u>	<u>17,321,019</u>	<u>24,649,719</u>	<u>10,338,370</u>	<u>1,653,874</u>	<u>93,284,750</u>	<u>177,988</u>
Total assets	<u>44,485,038</u>	<u>24,407,234</u>	<u>31,548,863</u>	<u>13,448,607</u>	<u>1,665,356</u>	<u>115,555,098</u>	<u>293,334</u>
<b>Deferred outflow of resources</b>							
Deferred charge on refunding	-	-	173,804	-	-	173,804	-
Deferred outflows related to pensions	67,055	47,539	85,927	11,589	983	213,093	12,702
Total deferred outflow of resources	<u>67,055</u>	<u>47,539</u>	<u>259,731</u>	<u>11,589</u>	<u>983</u>	<u>386,897</u>	<u>12,702</u>
<b>Liabilities</b>							
Current liabilities:							
Accounts payable	828,828	151,444	1,446,496	60,049	969	2,487,786	30,585
Accrued wages and taxes	30,003	23,794	39,424	5,069	709	98,999	6,506
Accrued interest payable	18,930	-	61,491	-	-	80,421	-
Customer deposits	153,905	-	220,336	-	-	374,241	-
Unearned revenue	12,507	4,369	16,213	673	-	33,762	-
Compensated absences payable - current	64,573	47,705	95,467	11,725	213	219,683	5,475
Capital leases payable - current	1,811	-	102,802	-	-	104,613	-
Revenue bonds payable - current	343,389	-	453,000	-	-	796,389	-
Total current liabilities	<u>1,453,946</u>	<u>227,312</u>	<u>2,435,229</u>	<u>77,516</u>	<u>1,891</u>	<u>4,195,894</u>	<u>42,566</u>
Noncurrent liabilities:							
Compensated absences payable	-	11,116	1,334	4,263	37	16,750	-
Capital leases payable	27,894	-	1,008,714	-	-	1,036,608	-
Revenue bonds payable	11,223,750	-	6,979,000	-	-	18,202,750	-
Net pension liability	287,370	203,732	368,250	49,666	4,211	913,229	54,437
Total noncurrent liabilities	<u>11,539,014</u>	<u>214,848</u>	<u>8,357,298</u>	<u>53,929</u>	<u>4,248</u>	<u>20,169,337</u>	<u>54,437</u>
Total liabilities	<u>12,992,960</u>	<u>442,160</u>	<u>10,792,527</u>	<u>131,445</u>	<u>6,139</u>	<u>24,365,231</u>	<u>97,003</u>
<b>Deferred inflows of resources</b>							
Deferred inflows related to pensions	47,692	33,811	61,115	8,242	699	151,559	9,034
Total deferred inflow of resources	<u>47,692</u>	<u>33,811</u>	<u>61,115</u>	<u>8,242</u>	<u>699</u>	<u>151,559</u>	<u>9,034</u>
<b>Net position</b>							
Net investment in capital assets	26,829,819	17,315,868	15,537,463	10,337,114	1,653,768	71,674,032	176,612
Restricted for:							
Debt service	778,382	-	339,094	-	-	1,117,476	-
Capital outlay	30,711	1,034,251	-	758,248	-	1,823,210	-
Unrestricted	3,872,529	5,628,683	5,078,395	2,225,147	5,733	16,810,487	23,387
Total net position	<u>\$ 31,511,441</u>	<u>\$ 23,978,802</u>	<u>\$ 20,954,952</u>	<u>\$ 13,320,509</u>	<u>\$ 1,659,501</u>	<u>\$ 91,425,205</u>	<u>\$ 199,999</u>

The accompanying notes are an integral part of the financial statements.

**WASHINGTON CITY, UTAH**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**June 30, 2015**

	Business-type Activities					Governmental Activities	
	Water	Sewer	Electric	Storm Drain	Other Enterprise Funds	Total Enterprise Funds	Internal Service Fund
<b>Operating revenues:</b>							
Charges for services	\$ 4,677,699	\$ 1,617,599	\$ 9,918,903	\$ 881,233	\$ 16,965	\$ 17,112,399	\$ 610,652
Miscellaneous	14,577	-	129,580	18,572	73	162,802	30,909
Total operating revenues	<u>4,692,276</u>	<u>1,617,599</u>	<u>10,048,483</u>	<u>899,805</u>	<u>17,038</u>	<u>17,275,201</u>	<u>641,561</u>
<b>Operating expenses:</b>							
Salaries and wages	712,358	509,811	917,617	122,279	14,313	2,276,378	127,139
Employee benefits	387,649	291,772	425,664	71,656	13,043	1,189,784	78,218
Utilities	375,224	33,601	78,329	6,380	-	493,534	11,917
Professional services	20,565	9,608	110,042	213,284	-	353,499	1,836
Repairs and maintenance	403,754	7,040	168,146	3,582	-	582,522	7,060
Water purchased	1,178,626	-	-	-	-	1,178,626	-
Power purchased	-	-	6,349,926	-	-	6,349,926	-
Transmission expense	-	-	990,174	-	-	990,174	-
Miscellaneous	105,292	13,924	88,458	4,818	-	212,492	4,586
Supplies	80,674	107,401	67,083	23,220	684	279,062	373,520
Depreciation/amortization	1,142,746	561,794	708,946	224,132	69,993	2,707,611	11,488
Total operating expenses	<u>4,406,888</u>	<u>1,534,951</u>	<u>9,904,385</u>	<u>669,351</u>	<u>98,033</u>	<u>16,613,608</u>	<u>615,764</u>
Operating income (loss)	<u>285,388</u>	<u>82,648</u>	<u>144,098</u>	<u>230,454</u>	<u>(80,995)</u>	<u>661,593</u>	<u>25,797</u>
<b>Nonoperating revenues (expenses):</b>							
Intergovernmental	-	-	-	145,859	-	145,859	-
Investment earnings	77,740	92,528	66,309	33,696	3,178	273,451	-
Impact fees	697,542	367,375	533,968	718,031	-	2,316,916	-
Gain (loss) on disposal of capital assets	-	-	16,500	-	-	16,500	-
Interest and fiscal charges	(490,723)	(11,617)	(176,206)	-	-	(678,546)	-
Total nonoperating revenues (expenses)	<u>284,559</u>	<u>448,286</u>	<u>440,571</u>	<u>897,586</u>	<u>3,178</u>	<u>2,074,180</u>	<u>-</u>
Income (loss) before transfers and capital contributions	569,947	530,934	584,669	1,128,040	(77,817)	2,735,773	25,797
Transfers in	-	-	-	-	162,919	162,919	-
Transfers out	(200,000)	(150,000)	(18,088)	(75,000)	(337,441)	(780,529)	-
Capital contributions	576,205	470,639	113,100	577,435	289,871	2,027,250	33,150
<b>Change in net position</b>	<u>946,152</u>	<u>851,573</u>	<u>679,681</u>	<u>1,630,475</u>	<u>37,532</u>	<u>4,145,413</u>	<u>58,947</u>
Total net position - beginning	30,872,159	23,344,786	20,668,510	11,743,070	1,626,466	88,254,991	199,183
Restatement adjustments	(306,870)	(217,557)	(393,239)	(53,036)	(4,497)	(975,199)	(58,131)
<b>Total net position - ending</b>	<u>\$ 31,511,441</u>	<u>\$ 23,978,802</u>	<u>\$ 20,954,952</u>	<u>\$ 13,320,509</u>	<u>\$ 1,659,501</u>	<u>\$ 91,425,205</u>	<u>\$ 199,999</u>

The accompanying notes are an integral part of the financial statements.

**WASHINGTON CITY, UTAH**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**

	Business-type Activities						Governmental Activities
	Water	Sewer	Electric	Storm Drain	Other Enterprise Funds	Total Enterprise Funds	Internal Service Fund
<b>Cash flows from operating activities:</b>							
Cash received from customers and users	\$ 4,739,534	\$ 1,612,207	\$ 9,938,218	\$ 886,201	\$ 19,295	\$ 17,195,455	\$ 26,244
Cash received from interfund charges for fleet services	-	-	-	-	-	-	584,408
Cash received from others	-	-	-	-	-	-	30,909
Cash paid to suppliers	(1,611,830)	(261,121)	(7,852,399)	(212,219)	(888)	(9,938,457)	(352,668)
Cash paid to employees	(1,149,030)	(822,519)	(1,383,379)	(195,710)	(29,750)	(3,580,388)	(211,398)
Net cash flows from operating activities	<u>1,978,674</u>	<u>528,567</u>	<u>702,440</u>	<u>478,272</u>	<u>(11,343)</u>	<u>3,676,610</u>	<u>77,495</u>
<b>Cash flows from noncapital financing activities:</b>							
Transfers (to) from other funds	(200,000)	(150,000)	(18,088)	(75,000)	(174,522)	(617,610)	-
Cash received (paid) from (to) other funds	-	(372,747)	-	-	(146,548)	(519,295)	-
Net cash flows from noncapital financing activities	<u>(200,000)</u>	<u>(522,747)</u>	<u>(18,088)</u>	<u>(75,000)</u>	<u>(321,070)</u>	<u>(1,136,905)</u>	-
<b>Cash flows from capital and related financing activities:</b>							
Capital grants and contributions	-	-	-	145,859	-	145,859	-
Principal paid on capital debt	(471,528)	(1,244,840)	(539,365)	-	-	(2,255,733)	-
Interest paid on capital debt	(492,861)	(21,992)	(187,536)	-	-	(702,389)	-
Purchase and acquisition of capital assets	(3,448,875)	(194,732)	(422,533)	(1,124,630)	-	(5,190,770)	-
Proceeds from sales of capital assets	-	-	16,500	-	-	16,500	-
Impact fees	697,542	367,375	533,968	718,031	-	2,316,916	-
Net cash flows from capital and related financing activities	<u>(3,715,722)</u>	<u>(1,094,189)</u>	<u>(598,966)</u>	<u>(260,740)</u>	<u>-</u>	<u>(5,669,617)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>							
Net change in investments	929,017	1,361,501	199,652	(588,035)	313,431	2,215,566	-
Interest and dividends received	92,353	106,890	79,155	41,822	3,209	323,429	-
Net cash flows from investing activities	<u>1,021,370</u>	<u>1,468,391</u>	<u>278,807</u>	<u>(546,213)</u>	<u>316,640</u>	<u>2,538,995</u>	<u>-</u>
Net change in cash and cash equivalents	(915,678)	380,022	364,193	(403,681)	(15,773)	(590,917)	77,495
Cash and cash equivalents, including restricted, beginning of year	1,803,518	368,860	459,371	672,144	20,801	3,324,694	23,334
<b>Cash and cash equivalents, including restricted, end of year</b>	<u>\$ 887,840</u>	<u>\$ 748,882</u>	<u>\$ 823,564</u>	<u>\$ 268,463</u>	<u>\$ 5,028</u>	<u>\$ 2,733,777</u>	<u>\$ 100,829</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>							
Net operating income (loss)	\$ 285,388	\$ 82,648	\$ 144,098	\$ 230,454	\$ (80,995)	\$ 661,593	\$ 25,797
Adjustments to reconcile net operating income (loss) to net cash flows from operating activities:							
Depreciation/amortization	1,142,746	561,794	708,946	224,132	69,993	2,707,611	11,488
Pension expense	13,749	9,747	17,617	2,376	202	43,691	2,605
Employer pension contributions	(59,877)	(42,450)	(76,729)	(10,348)	(877)	(190,281)	(11,343)
Changes in operating assets and liabilities:							
(Increase) decrease in receivables	3,736	(5,458)	(12,167)	(12,735)	2,257	(24,367)	-
(Increase) decrease in inventory	-	-	(27,624)	-	-	(27,624)	29,716
Increase (decrease) in accounts payable	552,305	(89,547)	27,383	39,065	(204)	529,002	16,535
Increase (decrease) in accrued payroll	9,339	7,169	10,329	2,112	25	28,974	2,081
Increase (decrease) in customer deposits	39,225	-	(104,525)	-	-	(65,300)	-
Increase (decrease) in unearned revenues	4,297	66	6,427	(869)	-	9,921	-
Increase (decrease) in compensated absences	(12,234)	4,598	8,685	4,085	(1,744)	3,390	616
Net cash flows from operating activities	<u>\$ 1,978,674</u>	<u>\$ 528,567</u>	<u>\$ 702,440</u>	<u>\$ 478,272</u>	<u>\$ (11,343)</u>	<u>\$ 3,676,610</u>	<u>\$ 77,495</u>
<b>Noncash investing, capital, and financing activities</b>							
Contributions of capital assets	\$ 576,205	\$ 470,639	\$ 113,100	\$ 397,435	\$ 289,871	\$ 1,847,250	\$ 33,150
Increase (decrease) in fair value of investments	(14,613)	(14,362)	(12,846)	(8,126)	-	(49,947)	-

The accompanying notes are an integral part of the financial statements.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 1. Summary of Significant Accounting Policies**

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**Description of Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities, when applicable, are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**Reporting Entity**

Washington City (the City) is organized as a mayor/council form of government and is located in Washington County, Utah. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. When applicable, each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. The City has no discretely presented component units. The following are blended component units included with the reporting entity:

The **Coral Canyon Special Service District** (the District) was created on June 14, 2000 for the purpose of providing various services within the boundaries of the District. Specifically, the District issued bonds to finance the construction of public infrastructure within the District. The Coral Canyon Special Service District fund is treated as a governmental debt service fund in these financial statements.

The **Municipal Building Authority of Washington City** (the Authority) was incorporated in the State of Utah on October 20, 1995 for the purpose of accomplishing the public purposes for which the City exists by acquiring, improving or extending one or more projects and financing the cost of such projects on behalf of the City. Both of these component units are governed by boards of trustees comprised of the elected officials of the City.

**Basis of Presentation – Government-wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds (when applicable), even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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**Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the City’s funds, including its blended component units. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The **General Fund** is the City’s primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The **Debt Service Fund – Municipal Building Authority** is used to account for and report certain resources that are restricted, committed, or assigned to expenditure for principal and interest.

The City reports the following major enterprise funds:

The **Water Fund** is used to account for the activities of the City’s water production, treatment, and distribution operation.

The **Sewer Fund** accounts for the activities of the City’s sewer system which provides services to residential and commercial users within the City.

The **Electric Fund** accounts for the activities of the City’s electric distribution operations.

The **Storm Drain Fund** accounts for the activities of the City’s storm drain system, which provides services to residential and commercial users within the City.

Additionally, the City reports the following fund type:

The **Internal Service Fund** accounts for fleet services provided to other departments or funds of the City on a cost-reimbursement basis.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

**Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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Property taxes, sales taxes, franchise taxes, energy taxes, state road funds and unreimbursed, earned grant funds associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

***Cash and cash equivalents***

The City's cash and cash equivalents are considered to be cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition.

***Investments***

The City's investment policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, and other investments as allowed by the State of Utah's Money Management Act. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to investment earnings. Fair market values are based on quoted market prices.

***Receivables***

Management regularly reviews accounts receivable and writes off any uncollectible accounts. Given the write-offs and the nature of the accounts receivable in the governmental and business-type activities of the City, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, an allowance for uncollectible accounts receivable is not presented.

***Inventories and Prepaid Items***

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable electric fund supplies and materials and general fund fuel. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased. The costs of all other inventories are recorded as expenditures/expenses when purchased rather than when consumed and are not deemed material to the financial statements and have not been recognized in these financial statements.



**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-50 years
Improvements and systems	10-50 years
Machinery and equipment	5-20 years
Automobiles and trucks	3-20 years
Infrastructure	Not depreciated*

\*The City uses the modified approach to account for infrastructure assets. See accompanying supplemental information.

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City has two types of items that qualify for reporting in this category. The deferred charge on refunding reported in the proprietary funds statement of net position and government-wide statement of net position and pension related items (see Note 10). A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three types of items that qualify for reporting in this category. The first item, *deferred revenue – property taxes*, is reported in both the governmental funds balance sheet and the statement of net position. These amounts are deferred and recognized as an inflow of resources in the period for which they are levied. The second item, *unavailable revenue – grants*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from grants. These unavailable amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The third item is pension related items (see Note 10).

***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Net Position Flow Assumption***

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

***Fund Balance Flow Assumptions***

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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*Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The city council (council) is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The city manager is authorized to assign amounts to a specific purpose in accordance with the City's budget policy. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**Revenues and Expenditures/Expenses**

*Program Revenues*

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

*Property Taxes*

Property taxes are collected by the Washington County Treasurer and remitted to the City in monthly installments. Taxes are levied each October on the taxable value listed as of the prior January 1 (lien date) for all real property located in the City. Taxable values are established by the county assessor at a percent of the fair market value on primary residential property and 100 percent of the fair market value on non-primary residential property. A revaluation of all property is required to be completed no less than every five years. Taxes are due and payable on November 1 and delinquent after November 30 of each year, at which time they become liens if not paid.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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***Compensated Absences***

For governmental funds, amounts of vested or accumulated vacation, sick and comp time that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the governmental fund financial statements. Vested or accumulated vacation and comp time in the proprietary funds are recorded as an expense and a liability of that fund as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements. Accumulated unpaid vacation, sick and comp time are accrued based upon the City's expected legal obligation as of the statement date.

***Proprietary Funds Operating and Nonoperating Revenues and Expenses***

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water, sewer, electric, irrigation, storm drain, and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

***Encumbrances***

Encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation is not employed by the City.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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**New Pronouncements**

For the year ended June 30, 2015, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits. Implementation of these new Statements resulted in a restatement of beginning net position in the City's government-wide and proprietary fund financial statements (see Note 19).

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**NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements**

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The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 19.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 21.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 3. Stewardship, Compliance, and Accountability**

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**Budgets and Budgetary Accounting**

Annual budgets are reported and adopted by the governing council on or before June 22 for the fiscal year commencing the following July 1 in accordance with State Law. The operating budget includes proposed expenditures and the proposed sources of financing for such expenditures. Prior to June 22, a public hearing is conducted to obtain taxpayer input. Budgets are adopted and control of budget appropriations is exercised, under State Law, at the department level. Budget amendments are required to increase expenditure budgets and are adopted, in a public hearing, before the end of the fiscal year. The budget was amended during the current fiscal year.

The governmental fund budgets are prepared using the modified accrual basis of accounting. Budgets for the proprietary fund types are prepared using the accrual basis of accounting.

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**NOTE 4. Deposits and Investments**

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A reconciliation of deposits and investments as shown on the statement net position is as follows:

Cash and cash equivalents	\$ 3,310,721
Investments	20,911,430
Restricted cash and cash equivalents	<u>9,790,129</u>
Total	<u><u>\$ 34,012,280</u></u>

Restricted cash and cash equivalents consist primarily of assets relating to required debt reserves and unspent debt proceeds. In addition to the \$169,376 in required debt reserves in the general fund, restricted assets also include refundable deposits relating to construction bonds and other payables.

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The City follows the requirements of the Utah Money Management Act (*Utah code*, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of City funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 4. Deposits and Investments, Continued**

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**Deposits**

*Custodial Credit Risk*

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned. The City does not have a formal policy for custodial credit risk. As of June 30, 2015, \$630,598 of the City's bank balance of \$880,598 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Investments**

The Money Management Act defines the types of securities authorized as appropriate investment for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's, bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments. Financial statements for the PTIF funds can be obtained by contacting the Utah State Treasurer's office.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 4. Deposits and Investments, Continued**

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As of June 30, 2015, the City's deposits and investments consist of the following:

	Fair Value	Credit Ratings (1)		Weighted Average Maturity (2)
		Moody's	S&P	
Cash on hand	\$ 1,450	N/A	N/A	N/A
Cash deposits	959,934	N/A	N/A	N/A
Utah Public Treasurers' Investment Fund	11,881,653	N/A	N/A	65.04
Dreyfus Mutual Fund	257,813	Aaa-mf	AAAm	41
Wells Fargo Investments Wells Fargo MMMF	9,344	Aaa-mf	AAAm	21
Bonds - U.S. Agencies	17,084,285	N/A	AAA	1,502
Bonds - municipal	829,210	Aa2 to A2	AA to A-	1,364
Bonds - corporate	2,988,591	Baa2	A to A-	272
Total Fair Value	<u>\$34,012,280</u>			

(1) Ratings are provided where applicable to indicate associated credit risk. N/A indicates not applicable.

(2) Interest rate risk is estimated using the weighted average days to maturity.

**Interest rate risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

**Credit risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act.



**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 5. Capital Assets**

Capital asset activity for governmental activities for the year ended June 30, 2015 was as follows:

<b>Governmental Activities:</b>	<b>Balance 6/30/2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Reclass- ifications**</b>	<b>Balance 6/30/2015</b>
Capital assets, not being depreciated:					
Land, easements and water rights	\$ 2,047,664	\$ -	\$ -	\$ 865,715	\$ 2,913,379
Construction in progress	1,275,494	2,029,604	(1,990,714)	-	1,314,384
Infrastructure	69,175,336	2,873,985	-	-	72,049,321
Total capital assets, not being depreciated:	<u>72,498,494</u>	<u>4,903,589</u>	<u>(1,990,714)</u>	<u>865,715</u>	<u>76,277,084</u>
Capital assets, being depreciated:					
Buildings and other improvements	34,378,968	804,051	-	4,375,001	39,558,020
Machinery and equipment	1,683,266	31,079	(25,000)	1,192,589	2,881,934
Automobiles and trucks	2,516,366	60,838	(21,673)	29,464	2,584,995
Total capital assets, being depreciated:	<u>38,578,600</u>	<u>895,968</u>	<u>(46,673)</u>	<u>5,597,054</u>	<u>45,024,949</u>
Less accumulated depreciation for:					
Buildings and other improvements	(7,477,800)	(985,197)	-	(3,001,999)	(11,464,996)
Machinery and equipment	(1,182,504)	(134,282)	25,000	(1,127,215)	(2,419,001)
Automobiles and trucks	(1,897,570)	(150,818)	18,229	(17,668)	(2,047,827)
Total accumulated depreciation	<u>(10,557,874)</u>	<u>(1,270,297)</u>	<u>43,229</u>	<u>(4,146,882)</u>	<u>(15,931,824)</u>
Total capital assets, being depreciated, net	<u>28,020,726</u>	<u>(374,329)</u>	<u>(3,444)</u>	<u>1,450,172</u>	<u>29,093,125</u>
Governmental activities capital assets, net	<u>\$ 100,519,220</u>	<u>\$ 4,529,260</u>	<u>\$ (1,994,158)</u>	<u>\$ 2,315,887</u>	<u>\$ 105,370,209</u>

\*\*Reclassifications between governmental activities and business-type activities are made in these financial statements in combining the golf course fund with the general fund (see Note 20). The reclassifications are offsetting.

Depreciation expense was charged to the functions/programs of the City as follows:

<b>Governmental Activities:</b>	
General government	\$ 151,329
Public safety	142,297
Streets and highways	65,211
Parks, golf, cemetery and public property	484,454
Culture and recreation	417,512
Community and economic development	9,494
Total depreciation expense - governmental activities	<u>\$ 1,270,297</u>

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 5. Capital Assets, Continued**

Capital asset activity for business-type activities for the year ended June 30, 2015 was as follows:

<b>Business-type Activities:</b>	<b>Balance 6/30/2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Reclass- ifications**</b>	<b>Balance 6/30/2015</b>
Capital assets not being depreciated:					
Land, easements and water rights	\$ 3,163,278	\$ -	\$ -	\$ (865,715)	\$ 2,297,563
Construction in progress	1,148,094	3,499,300	(1,005,673)	-	3,641,721
Total capital assets, not being depreciated	<u>4,311,372</u>	<u>3,499,300</u>	<u>(1,005,673)</u>	<u>(865,715)</u>	<u>5,939,284</u>
Capital assets being depreciated:					
Buildings and improvements	6,645,785	198,912	-	(374,360)	6,470,337
Improvements and systems	103,575,211	4,251,432	-	(4,000,642)	103,826,001
Machinery and equipment	3,291,672	94,049	(22,345)	(1,192,589)	2,170,787
Automobiles and trucks	1,767,812	-	-	(29,463)	1,738,349
Total capital assets, being depreciated	<u>115,280,480</u>	<u>4,544,393</u>	<u>(22,345)</u>	<u>(5,597,054)</u>	<u>114,205,474</u>
Less accumulated depreciation for:					
Buildings	(702,261)	(128,799)	-	280,404	(550,656)
Improvements and systems	(25,310,104)	(2,365,541)	-	2,721,594	(24,954,051)
Machinery and equipment	(2,488,497)	(106,885)	22,345	1,127,216	(1,445,821)
Automobiles and trucks	(1,291,120)	(106,386)	-	17,668	(1,379,838)
Total accumulated depreciation	<u>(29,791,982)</u>	<u>(2,707,611)</u>	<u>22,345</u>	<u>4,146,882</u>	<u>(28,330,366)</u>
Total capital assets, being depreciated, net	<u>85,488,498</u>	<u>1,836,782</u>	<u>-</u>	<u>(1,450,172)</u>	<u>85,875,108</u>
Business-type activities capital assets, net	<u>\$ 89,799,870</u>	<u>\$ 5,336,082</u>	<u>\$ (1,005,673)</u>	<u>\$ (2,315,887)</u>	<u>\$ 91,814,392</u>

\*\*Reclassifications between governmental activities and business-type activities are made in these financial statements in combining the golf course fund with the general fund (see Note 20). The reclassifications are offsetting.

Depreciation expense was charged to the functions/programs of the City as follows:

<b>Business-type Activities:</b>	
Water	\$ 1,142,746
Sewer	561,794
Electric	708,946
Storm drain	224,132
Irrigation	69,993
Total depreciation expense - business-type activities	<u>\$ 2,707,611</u>

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 6. Long-term Liabilities**

The following is a summary of changes in long-term obligations for the year ended June 30, 2015:

<b>Governmental Activities:</b>	Balance 6/30/2014	Additions	Retirements	Reclass- ifications**	Balance 6/30/2015	Current Portion
General obligation bonds (Coral Canyon)	\$ 8,788,000	\$ 3,361,000	\$ 3,250,000	\$ -	\$ 8,899,000	\$ 274,000
Lease revenue bonds (MBA)	6,076,000	6,997,000	330,000	-	12,743,000	796,000
Sales tax and excise tax road revenue bonds	3,395,000	-	372,000	-	3,023,000	384,000
Capital leases payable	565,684	-	30,992	-	534,692	30,992
Notes payable	137,349	-	68,674	-	68,675	68,675
Net pension liability*	1,979,486	-	407,973	-	1,571,513	-
Compensated absences	378,380	360,352	326,901	67,175	479,006	413,837
<b>Total governmental activities</b>	<b>21,319,899</b>	<b>10,718,352</b>	<b>4,786,540</b>	<b>67,175</b>	<b>27,318,886</b>	<b>1,967,504</b>
<b>Business-type Activities:</b>						
Revenue bonds	21,153,783	-	2,154,644	-	18,999,139	796,389
Capital leases payable	1,242,308	-	101,087	-	1,141,221	104,613
Net pension liability*	1,150,307	-	237,078	-	913,229	-
Compensated absences	300,219	248,242	244,853	(67,175)	236,433	219,683
<b>Total business-type activities</b>	<b>23,846,617</b>	<b>248,242</b>	<b>2,737,662</b>	<b>(67,175)</b>	<b>21,290,022</b>	<b>1,120,685</b>
<b>Total long-term liabilities</b>	<b>\$ 45,166,516</b>	<b>\$ 10,966,594</b>	<b>\$ 7,524,202</b>	<b>\$ -</b>	<b>\$ 48,608,908</b>	<b>\$ 3,088,189</b>

\*See Note 19 regarding the beginning balances of the net pension liability.

\*\*Reclassifications between governmental activities and business-type activities are made in these financial statements in combining the golf course fund with the general fund (see Note 20). The reclassifications are offsetting.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 6. Long-term Liabilities, Continued**

Long-term liabilities for the City at June 30, 2015 consist of the following:

**General Obligation Bonds:**

**Governmental Activities:**

Coral Canyon Special Service District:

General Obligation Bonds - Series 2006 issued May 11, 2006 in the amount of \$3,295,000 payable in annual installments of \$40,000 to \$745,000 with final payment due July 15, 2030. Interest is paid semi-annually at a rate of 4.85%. These bonds were partially refunded in fiscal year 2015. The remaining balance will be paid in fiscal years 2016 and 2017 with final payment due July 15, 2016.	\$ 105,000
General Obligation Refunding Bonds - Series 2012 issued December 13, 2012 in the amount of \$5,817,000 payable in annual installments of \$190,000 to \$505,000 with final payment due July 15, 2028. Interest is paid semi-annually at a rate of 1.10% to 4.00% (after a FY15 rate reduction). These bonds were reissued December 3, 2014 in the amount of \$5,433,000.	5,433,000
General Obligation Refunding Bonds - Series 2014 issued December 3, 2014 in the amount of \$3,361,000 payable in annual installments of \$34,000 to \$734,000 with final payment due July 15, 2030. Interest is paid semi-annually at a rate of 1.00% to 4.00%.	<u>3,361,000</u>
Total general obligation bonds, governmental activities	<u>8,899,000</u>

**Revenue Bonds:**

**Governmental Activities:**

Lease Revenue and Refunding Bonds Series 2008 issued by the Municipal Building Authority in the amount of \$8,321,000 payable in annual installments of \$305,000 to \$552,000 with final payment due December 15, 2027. The bond bears interest of 1.053% to 4.45%. Interest is paid semi-annually.	5,746,000
Lease Revenue Bonds Series 2014 issued by the Municipal Building Authority in the amount of \$3,297,000 payable in annual installments of \$452,000 to \$497,000 with final payment due December 15, 2021. The bond bears interest of 0.90% to 2.40%. Interest is paid semi-annually.	3,297,000
Lease Revenue Bonds Series 2015 issued by the Municipal Building Authority in the amount of \$3,700,000 payable in annual installments of \$160,000 to \$261,000 with final payment due December 15, 2034. The bond bears interest of 0.75% to 5.02%. Interest is paid semi-annually.	<u>3,700,000</u>
Total lease revenue bonds (MBA), governmental activities	<u>12,743,000</u>
Sales Tax Revenue Bonds - Series 2001 were issued in the amount of \$1,000,000. Payable in annual installments of \$33,000 to \$89,000 with final payment due November 15, 2016. The bonds bear interest of 2.7% to 4.5%.	175,000
Sales Tax Revenue Refunding Bonds Series 2011. Payable in annual principal installments of \$160,000 to \$287,000 with interest due semi-annually. The bonds bear interest of 2.93%. Final payment is due November 15, 2023.	2,308,000
Excise Tax Road Revenue Bonds Series 2011. Payable in annual principal installments of \$68,000 to \$84,000 with interest due semi-annually. The bonds bear interest of 1.50% to 3.75%. Final payment is due July 15, 2021.	<u>540,000</u>
Total sales tax and excise tax road revenue bonds, governmental activities	<u>3,023,000</u>

**Business-type Activities:**

Water Revenue Bonds Series 1993 B payable in monthly installments of \$4,500 through March 10, 2036 bearing interest at 4.5%.	722,408
Water Revenue Bonds, Series 1996 payable in monthly installments of \$1,688 bearing interest at 4.50%. Final payment is due May 7, 2036.	262,009
Water Revenue Bonds - Series 2000 A were issued in the amount of \$1,639,900. The bonds are held by USDA - RD and bear interest of 3.25%. Payments of \$6,117 are paid monthly with final payment due May 15, 2041.	1,284,043

(Continued)

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 6. Long-term Liabilities, Continued**

Water Revenue Bonds - Series 2000 B dated January 17, 2001 were issued in the amount of \$1,150,000. The bonds are held by the State of Utah - Drinking Water Board and bear interest at 1.95%. Payments are made yearly in January and range from \$48,000 to \$69,000 with final payment due January 1, 2021.	\$ 392,000
Water Revenue Bonds - Series 2002 A payable in monthly installments of \$10,416 with a final payment due August 2043. The bonds bear interest of 4.25%.	2,048,147
Water Revenue Bonds Series 2002 B payable in yearly installments of \$27,000 to \$44,000 bearing interest of 2.59% with a final payment due January 1, 2023.	317,000
Water Revenue Bonds Series 2006 payable in monthly principal and interest installments of \$17,520 with the final payment due September 2046. The bond bears interest of 4.25%.	3,623,728
Water Revenue Bonds Series 2008 payable in monthly principal and interest installments of \$17,240 with the final payment due September 2036. The bond bears interest of 4.125%.	2,917,804
Electric Revenue Bonds - Series 2013 issued May 1, 2013 in the amount of \$7,621,000. Principal payable in annual installments of \$80,000 to \$617,000 with final payment due March 1, 2028. The bonds bear interest of 2.38%.	<u>7,432,000</u>
Total revenue bonds, business-type activities	<u>18,999,139</u>
<b>Leases Payable:</b>	
<b>Governmental Activities:</b>	
Lease payable in various installment amounts through fiscal year 2027. The lease bears interest of 3.34%.	<u>534,692</u>
Total leases payable, governmental activities	<u>534,692</u>
<b>Business-type Activities:</b>	
Leases payable in various installment amounts through fiscal year 2027. The leases bear interest ranging from 1.43% to 3.34%.	<u>1,141,221</u>
Total leases payable, business-type activities	<u>1,141,221</u>
<b>Notes Payable:</b>	
<b>Governmental Activities:</b>	
5% note payable to School and Institutional Trust Lands Administration (SITLA), due in annual principal and interest installments of \$72,108 to \$89,277, maturing June 1, 2016.	<u>68,675</u>
Total notes payable, governmental activities	<u>68,675</u>
<b>Net Pension Liability</b>	<u>2,484,742</u>
<b>Accrued Compensated Absences</b>	<u>715,439</u>
Total long-term liabilities	<u>\$ 48,608,908</u>
Due within one year	\$ 3,088,189
Due in more than one year	<u>45,520,719</u>
Total long-term liabilities	<u>\$ 48,608,908</u>

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 6. Long-term Liabilities, Continued**

The annual requirements to amortize bonds and notes payable at June 30, 2015 are as follows:

**Governmental Activities**

Year Ending June 30,	Coral Canyon SSD GO Bonds		MBA Lease Revenue Bonds		Sales Tax and Excise Tax Road Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 274,000	\$ 251,914	\$ 796,000	\$ 247,739	\$ 384,000	\$ 117,028	\$ 68,675	\$ 3,434
2017	360,000	246,358	974,000	227,937	395,000	89,387	-	-
2018	488,000	240,141	998,000	205,399	319,000	62,466	-	-
2019	497,000	233,456	1,021,000	186,755	324,000	53,086	-	-
2020	510,000	225,389	1,048,000	172,157	337,000	43,249	-	-
2021-2025	2,760,000	941,172	4,134,000	586,887	1,264,000	71,760	-	-
2026-2030	3,276,000	457,582	2,581,000	384,714	-	-	-	-
2031-2035	734,000	14,680	1,191,000	145,718	-	-	-	-
<b>Totals</b>	<b>\$ 8,899,000</b>	<b>\$ 2,610,692</b>	<b>\$ 12,743,000</b>	<b>\$ 2,157,306</b>	<b>\$ 3,023,000</b>	<b>\$ 436,976</b>	<b>\$ 68,675</b>	<b>\$ 3,434</b>

**Business-type Activities**

Year Ending June 30,	Electric Revenue Bonds		Water Revenue Bonds		Total Principal
	Principal	Interest	Principal	Interest	
2016	\$ 453,000	\$ 171,491	\$ 343,389	\$ 460,237	\$ 796,389
2017	464,000	160,579	356,404	447,081	820,404
2018	475,000	149,405	370,135	434,163	845,135
2019	487,000	137,957	383,318	420,728	870,318
2020	498,000	126,235	396,297	407,452	894,297
2021-2025	2,677,000	445,286	1,837,874	1,814,988	4,514,874
2026-2030	2,378,000	107,420	2,016,473	1,432,387	4,394,473
2031-2035	-	-	2,470,513	971,607	2,470,513
2035-2039	-	-	1,824,131	507,673	1,824,131
2040-2044	-	-	1,330,074	179,488	1,330,074
2045-2049	-	-	238,531	6,706	238,531
<b>Totals</b>	<b>\$ 7,432,000</b>	<b>\$ 1,298,373</b>	<b>\$ 11,567,139</b>	<b>\$ 7,082,510</b>	<b>\$ 18,999,139</b>

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 7. Capital Leases**

The City has entered into lease agreements that are considered capital leases in accordance with accounting standards. The leases are for the acquisition of the items listed below and have varying annual payments through fiscal year 2027.

The following is a schedule of future minimum lease payments with the present value of the net minimum lease payments:

	<u>Year Ending June 30,</u>	<u>Energy Equipment**</u>	<u>Digger Derrick Truck</u>	<u>Total</u>
	2016	\$ 138,797	\$ 49,211	\$ 188,008
	2017	142,501	49,211	191,712
	2018	138,734	49,210	187,944
	2019	142,530	49,210	191,740
	2020	146,433	-	146,433
	2021-2025	794,653	-	794,653
	2026-2027	311,676	-	311,676
		<u>1,815,324</u>	<u>196,842</u>	<u>2,012,166</u>
Total remaining lease payments:		1,815,324	196,842	2,012,166
Less amount representing interest:		<u>(330,068)</u>	<u>(6,185)</u>	<u>(336,253)</u>
Present value of net remaining minimum lease payments:		<u>\$ 1,485,256</u>	<u>\$ 190,657</u>	<u>\$ 1,675,913</u>
Governmental activities		\$ 534,692	\$ -	\$ 534,692
Business-type activities		950,564	190,657	1,141,221
		<u>\$ 1,485,256</u>	<u>\$ 190,657</u>	<u>\$ 1,675,913</u>

\*\*The energy equipment lease is allocated among three funds of the City as follows: general fund - 36%; water fund - 2%; electric fund - 62%.

A summary of assets acquired through capital leases as of June 30, 2015 is as follows:

	<u>Cost</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation</u>
Buildings and improvements	\$ 597,117	\$ -	\$ -
Improvements and systems	974,245	-	-
Automobiles and trucks	234,420	23,443	29,994
	<u>\$ 1,805,782</u>	<u>\$ 23,443</u>	<u>\$ 29,994</u>

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 8. Operating Leases**

Effective August 2014, Washington City entered into a 72 month equipment lease with Zion's Credit Corp to rent 70 Club Car golf carts. The lease is payable in monthly installments and expires in September 2020. Total payments made during the fiscal year ended June 30, 2015 were \$99,629. The future minimum rental payments for this lease are as follows:

Year Ending June 30,	
2016	\$ 99,120
2017	99,120
2018	99,120
2019	99,120
2020	99,120
2021	24,780
	<u>\$ 495,600</u>

**NOTE 9. Interfund Transfers and Balances**

Interfund transfers for the fiscal year ended June 30, 2015 are as follows:

		Transfers In				
		General Fund	Municipal Building Authority	Nonmajor Governmental	Nonmajor Business-type	Total
<b>Transfers Out</b>	General Fund	\$ -	\$ 495,296	\$ 899,838	\$ 162,919	\$ 1,558,053
	Water Fund	200,000	-	-	-	200,000
	Sewer Fund	150,000	-	-	-	150,000
	Electric Fund	18,088	-	-	-	18,088
	Storm Drain Fund	75,000	-	-	-	75,000
	Nonmajor Governmental	966,258	-	-	-	966,258
	Nonmajor Business-type	337,441	-	-	-	337,441
	<b>Total</b>	<u>\$ 1,746,787</u>	<u>\$ 495,296</u>	<u>\$ 899,838</u>	<u>\$ 162,919</u>	<u>\$ 3,304,840</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) move unrestricted revenues collected in the general fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations.



**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 9. Interfund Transfers and Balances, Continued**

Interfund balances at June 30, 2015 are as follows:

		Due From	
		General Fund	Total
<b>Due To</b>	Sewer Fund	\$ 1,000,000	\$ 1,000,000
	Total	\$ 1,000,000	\$ 1,000,000

In May 2015 the City authorized a \$1,000,000 loan from the sewer fund to the general fund for a term not to exceed 10 years beginning June 30, 2015. The purpose of this loan relates to the accumulated operating losses of the City’s golf course. The interest rate is a fixed rate of 2.38%. Principal and interest will be paid back monthly on the last day of each month beginning July 2015.

**NOTE 10. Defined Benefit Pension Plan**

**General Information about the Pension Plan**

Plan description: Eligible plan participants are provided with pensions through the Utah Retirement Systems. The Utah Retirement Systems are comprised of the following pension trust funds:

- The Public Employees Noncontributory Retirement System (Noncontributory System); Firefighters Retirement System (Firefighters System); are multiple employer, cost-sharing, public employee retirement systems.
- The Public Safety Retirement System (Public Safety System) is a mixed agent and cost-sharing, multiple-employer retirement system;
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System); and the Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety and Firefighters System) are multiple employer, cost-sharing, public employee retirement systems.

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems’ defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the website: [www.urs.org](http://www.urs.org).

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 10. Defined Benefit Pension Plan, Continued**

Benefits provided: URS provides retirement, disability, and death benefits. Retirement benefits are as follows:

**Summary of Benefits by System**

<b>System</b>	<b>Final average salary</b>	<b>Years of service required and/or age eligible for benefit</b>	<b>Benefit percent per year of service</b>	<b>COLA**</b>
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 2.5% to 4% depending on the employer
Firefighters System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%
Tier 2 Public Safety and Firefighter	Highest 5 years	25 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

\* With actuarial deductions

\*\* All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 10. Defined Benefit Pension Plan, Continued**

Contributions: As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as follows:

**Utah Retirement Systems**

	<b>Employee Paid</b>	<b>Paid by Employer for Employee</b>	<b>Employer Contribution Rates</b>
Contributory System			
111 – Local Governmental Division Tier 2	N/A	N/A	14.830 %
Noncontributory System			
15 – Local Governmental Division Tier 1	N/A	N/A	18.470 %
Public Safety Retirement System			
23 – Other Division A Contributory Tier 1	N/A	12.290%	22.750 %
122 – Other Division A Contributory Tier 2	N/A	N/A	22.550 %
Firefighters System			
31 – Division A Tier 1	N/A	15.050 %	3.820 %
132 – Division B Tier 2	N/A	N/A	10.800 %

**Pension Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2014, the City reported a net pension asset of \$62,818 and a net pension liability of \$2,484,742.

	<b>Proportionate Share</b>	<b>Net Pension Asset</b>	<b>Net Pension Liability</b>
Noncontributory System	0.4627242%	\$ -	\$ 2,009,257
Public Safety System	0.3780941%	-	475,485
Firefighters System	0.8676603%	49,513	-
Tier 2 Public Employees System	0.1058581%	3,208	-
Tier 2 Public Safety and Firefighter System	0.6825520%	10,097	-
Total net pension asset / liability		<u>\$ 62,817</u>	<u>\$ 2,484,742</u>

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 10. Defined Benefit Pension Plan, Continued**

The net pension asset and liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2014 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability was based upon actual historical employer contributions to the plan from the census data submitted to the plan for pay periods ending in 2014.

For the year ended December 31, 2014, the City recognized pension expense of \$669,581. At December 31, 2014, the entity reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 330	\$ 120,351
Changes in assumptions	-	292,015
Net difference between projected and actual earnings on pension plan investments	61,734	-
Changes in proportion and differences between contributions and proportional share of contributions	-	-
Contributions subsequent to the measurement date	517,725	-
Total	\$ 579,789	\$ 412,366

\$517,725 was reported as deferred outflows of resources related to pension results from contributions made by the City prior to our fiscal year end, but subsequent to the measurement date of December 31, 2014. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended December 31,</b>	<b>Deferred Outflows (Inflows) of Resources</b>
2015	\$ (87,527)
2016	(87,527)
2017	(87,527)
2018	(66,854)
2019	(6,272)
Thereafter	(14,595)

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 10. Defined Benefit Pension Plan, Continued**

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Actuarial assumptions: The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 Percent
Salary increases	3.50- 10.50 percent, average, including inflation
Investment rate of return	7.5 percent, net of pension plan investment expense, including inflation

Active member mortality rates are a function of the member's gender, occupation, and age and are developed based upon plan experience. Retiree mortality assumptions are highlighted in the table below.

**Retired Member Mortality**

Class of Member

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**Educators**

Men EDUM (90%)

Women EDUF (100%)

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**Public Safety and Firefighters**

Men RP 2000mWc (100%)

Women EDUF (120%)

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**Local Government, Public Employees**

Men RP 2000mWC (100%)

Women EDUF (120%)

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*EDUM = Constructed mortality table based on actual experience of male educators multiplied by given percentage*

*EDUF = Constructed mortality table based on actual experience of female educators multiplied by given percentage*

*RP 2000mWC = RP 2000 Combined mortality table for males with white collar adjustments multiplied by given percentage*

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The actuarial assumptions used in the January 1, 2014, valuation were based on the results of an actuarial experience study for the five year period of January 1, 2008 - December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 10. Defined Benefit Pension Plan, Continued**

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Expected Return Arithmetic Basis</b>		
	<b>Target Asset Allocation</b>	<b>Real Return Arithmetic Basis</b>	<b>Long-Term Expected Portfolio Real Rate of Return</b>
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
<b>Totals</b>	<b>100%</b>		<b>5.23%</b>
		<b>Inflation</b>	<b>2.75%</b>
		<b>Expected arithmetic nominal return</b>	<b>7.98%</b>

The 7.50% assumed investment rate of return is comprised of an inflation rate of 2.75%, a real return of 4.75% that is net of investment expense.

Discount rate: The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<b>1% Decrease (6.50%)</b>	<b>Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
<b>Proportionate share of</b>			
Net pension (asset) / liability	\$ 6,223,194	\$ 2,421,924	\$ (722,784)

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 10. Defined Benefit Pension Plan, Continued**

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

**NOTE 11. Defined Contribution Plan**

**Defined Contribution Plan**

The City also participates in a defined contribution plan under Internal Revenue Code Section 401(k) to supplement retirement benefits accrued by participants in the Retirement Systems. The City contributes 4.5% of the salaries of full-time employees and 11.66% of elected officials. However employees in the Public Safety and Firefighters Retirement Systems are ineligible for this benefit.

All full-time employees and elected officials can make additional contributions to the 401(k) plan and/or the 457 plan up to specified limits. The 401(k) and 457 plan funds are fully vested to participants at the time of deposits. The plan is administered by the Utah Retirement Systems.

The contributions for the current fiscal year and the two previous years are as follows:

<u>Year</u>	<u>Employee paid contributions</u>	<u>Employer paid for employee contributions</u>
Defined Contribution System:		
457 Plan		
2015	\$ 12,947	\$ -
2014	10,257	-
2013	7,274	-
401(k) Plan		
2015	79,321	259,685
2014	68,747	250,529
2013	67,112	226,619

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 12. Risk Management**

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The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Risk financing activities are accounted for in various operating funds, with unallocated or City-wide activities being accounted for in the general fund.

The City maintains insurance for general liability, auto liability, and employee dishonesty through the Utah Local Government Trust. Worker's compensation coverage is also carried through the Utah Local Government's Insurance Trust.

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**NOTE 13. Municipal Building Authority Lease Agreement**

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On February 1, 2008 the Municipal Building Authority of Washington City, Utah (the Authority), and the City entered into a Master Lease Agreement.

Pursuant to the lease arrangement, the Authority is to construct a community center and related improvements and refund all of the Authority's outstanding Lease Revenue Bonds, Series 1995 and its Lease Revenue Bonds, Series 1996, which were originally issued to finance the costs of acquisition and construction of the City's existing municipal office facility. In order to accomplish these items, the Authority issued Lease Revenue and Refunding Bonds, Series 2008 in the amount of \$8,321,000. Proceeds of the bond issues have been deposited with the trust department of Zions First National Bank as fiscal agent for the bonds.

The initial term of the lease commenced as of the date of delivery (in fiscal year 2008) of the Series 2008 Bonds and terminated on June 30, 2008. The lease term may be continued, solely at the option of the City, beyond the expiration of the original term for an additional one year, the first "renewal term", and for consecutive additional renewal terms thereafter each of one year in duration except that the final renewal term shall commence July 1, 2027 and end on December 15, 2027. The City makes an election to continue the lease for the next renewal term by budgeting sufficient City funds to pay the base and reasonably estimated additional rentals during the next following renewal term. The City renewed the lease for the current fiscal year.

The City and the Authority acknowledge and agree that the obligation of the City to pay base rentals and additional rentals constitutes a current expense of the City payable exclusively from City funds and shall not in any way be construed to be an obligation or indebtedness of the City within the meaning of Sections 3 or 4 of Article XIVC of the Utah Constitution, or any other constitutional or statutory limitation or requirement applicable to the City concerning the creation of indebtedness. The lease is to be deemed a net lease.

The terms of the lease require Washington City to pay certain rentals, which approximate the principal and interest due on the lease revenue bonds issued by the Authority. See the long-term liabilities note for annual requirements to amortize the MBA Lease Revenue Bonds.



**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 14. Commitments**

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The City has entered into various contracts for its various funds. The City's significant contracts are with the following entities:

The City of St. George for the purpose of transportation and treatment of wastewater initially entered into April 1, 1987 for 25 years (extended). The City collects these fees from wastewater users and remits the fees to the City of St. George. These collections and remittances are not reported as revenue and expenses in the sewer fund; rather, they are recorded in a liability account. During fiscal year 2015, the City collected \$830,371.

The Washington County Solid Waste District for the collection and disposal of solid waste. The current agreement was entered into on January 1, 2010 and expires on December 31, 2020.

The Washington County Water Conservancy District for the purpose of providing for the conservation and development of water resources of the State of Utah and in furtherance of such purposes that the Conservancy District owns and operates (i.e. various water supply, storage, treatment and transportation facilities), which provide water supplies and services to the municipal customers and other entities located in Washington County. The agreement terms end on April 22, 2056.

The Utah Association of Municipal Power Systems (UAMPS) for the purpose of acquiring reliable and economic supplies of power and energy—agreement terminates December 31, 2049.

The Flood Control Authority and interlocal cooperation agreement between the City of St. George, Washington City, Santa Clara City, Ivins City and Hurricane City. The purpose of the Flood Control Authority is to administer, acquire, construct, operate, inspect, repair and maintain flood control facilities and to perform all other related activities necessary for regional flood control. Flood control refers to the management and conveyance of flows above baseline conditions. The Flood Control board is made up of elected officials of the primary members and Washington City has two representatives on the board. Each primary member pays a monthly amount based upon the number of water connections as set by the board. The term of the agreement is 50 years (beginning fiscal year 2014) with automatic extensions of 50 year terms unless terminated as set forth in the agreement.

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**NOTE 15. Jointly Governed Organization**

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The City, in conjunction with a number of other governmental entities that provide for the purchase and transmission of electrical services, created the Utah Association of Municipal Power System (UAMPS). UAMPS owns an interest in various power generation entities as well as coordinating the purchase of additional power on the open spot-market. The UAMPS board is comprised of one member from each participating entity (dependent on the particular projects which an entity elects to participate in). Except for minimum purchase requirements, no participant has any obligation, entitlement, or residual interest. The City's electric utility fund purchased power with transmission delivery totaling \$6,164,902 during the fiscal year ended June 30, 2015.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**NOTE 16. Contingencies**

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The City is involved with various matters of litigation. It is the opinion of management that these cases will either be handled by the City's insurance coverage or that they will not have a material effect on the City's financial condition.

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**NOTE 17. Leisure Services Trade Sales**

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In connection with its leisure services operations (community center), the City occasionally trades services with various outside parties. These transactions have not been recorded in the fund financial statements; however, they are included in the government-wide financial statements. The revenue from such trades for fiscal year 2015 was \$80,225.

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**NOTE 18. Advance Refunding**

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In the year ended June 30, 2015, the City issued \$3,361,000 of general obligation refunding bonds (Series 2014) for resources placed in an escrow account to cover all future debt service payments of \$3,015,000 of general obligation bonds (CCSSD Series 2006). As a result, the refunded bonds are considered to be defeased as of June 30, 2015. However, as disclosed in Note 6, not all of the series 2006 general obligation bonds were refunded and defeased as of June 30, 2015. The reacquisition price exceeded the net carrying amount of the old debt by \$298,781. This amount is being amortized over the life of the new debt and is recorded as a deferred outflow of resources on the statement of net position. The transaction resulted in an economic gain of \$255,438 and a reduction of \$319,322 in future debt service payments. The advanced refunding defeased debt still outstanding at June 30, 2015 is \$3,015,000.

**WASHINGTON CITY, UTAH**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 19. Restatement Adjustment**

As mentioned in Note 1 to the financial statements, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. This resulted in a restatement of beginning net position as follows:

	<b>Total Governmental Activities</b>	<b>Governmental Activities</b>	<b>Governmental Activities Fleet Fund</b>
Restatement adjustment - implementation of GASB 68:			
Net pension liability	\$ (1,979,486)	\$ (1,910,917)	\$ (68,569)
Net pension asset	2,549	2,461	88
Deferred outflows - contributions subsequent to measurement date	298,784	288,434	10,350
Total restatement adjustment	<u>\$ (1,678,153)</u>	<u>\$ (1,620,022)</u>	<u>\$ (58,131)</u>

	<b>Total Business-type Activities</b>	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Electric Fund</b>	<b>Irrigation Fund</b>	<b>Storm Drain Fund</b>
Restatement adjustment - implementation of GASB 68:						
Net pension liability	\$ (1,150,307)	\$ (361,972)	\$ (256,621)	\$ (463,850)	\$ (5,304)	\$ (62,559)
Net pension asset	1,481	466	330	597	7	81
Deferred outflows - contributions subsequent to measurement date	173,627	54,636	38,734	70,013	801	9,443
Total restatement adjustment	<u>\$ (975,199)</u>	<u>\$ (306,870)</u>	<u>\$ (217,557)</u>	<u>\$ (393,239)</u>	<u>\$ (4,497)</u>	<u>\$ (53,036)</u>

**NOTE 20. Fund Restructuring and Reclassifications**

The golf course fund (an enterprise fund) and the special revenue leisure services fund were previously reported as separate funds. Beginning with the year ended June 30, 2015, the activity in both of these funds is reported as part of the general fund. The special revenue leisure services fund had a zero fund balance as of June 30, 2014. The golf course fund had a negative \$599,330 net position as of June 30, 2014 and so the beginning net position of business-type activities (increase of \$599,330) and governmental activities (decrease of \$599,330) have been adjusted accordingly in the these financial statements. Furthermore, the beginning fund balance of the general fund has been decreased by \$2,848,042 from \$3,264,016 to \$415,974 to account for the current financial resources of the golf course fund.

**REQUIRED SUPPLEMENTARY INFORMATION**

**WASHINGTON CITY, UTAH**  
**Required Supplementary Information**  
**Infrastructure Reporting – Modified Approach**  
**For the Year Ended June 30, 2015**

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As allowed by GASB Statement No. 34, the City has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this method, referred to as the modified approach, the City expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include all roads, bridges, sidewalks and similar items that the City is responsible to maintain.

Improvements that lengthen the lives of infrastructure assets are not recorded unless they increase capacity of service potential, in which case they are recorded as additions to infrastructure at original cost. Therefore, resurfacing done to existing streets is not capitalized, but is treated as a maintenance expenditure under the modified approach.

The City conducts periodic physical assessments and theoretical deterioration modeling to determine whether infrastructure assets are being maintained at the levels required. The City maintains its streets using a pavement management system. The condition of the pavement is based on a weighted average of seven distress factors found in pavement surfaces. The pavement management system uses a measurement scale that is based on a remaining service life (RSL) ranging from 0 years to 20 years.

The most recent condition assessment, completed for June 30, 2015, showed that the City had overall average condition ratings of 16.19 years as shown below:

Remaining Service Life (Years)	Percent of Streets
0	0.00
1-2	0.00
3-4	0.00
5-6	0.63
7-8	0.15
9-10	2.07
11-12	1.27
13-14	12.93
15-16	46.43
17-18	27.75
19-20	8.77
Total	100.00

The two most recent, previous condition assessments had overall average condition ratings of 16.84 (June 2014) and 15.61 (June 2013).

**WASHINGTON CITY, UTAH**  
**Required Supplementary Information**  
**Infrastructure Reporting – Modified Approach**  
**For the Year Ended June 30, 2015**

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The City’s administrative policy is to maintain its streets at an average remaining service life of 12.60 years. This rating allows for minor cracking and revealing of pavement along with minor roughness that could be noticeable to drivers traveling at posted speed. The following shows the amount the City planned (originally budgeted) to expend at the beginning of the fiscal year and the actual amount expended for street preservation.

For the Year Ended June 30,	Originally Budgeted	Actually Expensed
2015	\$ 700,000	\$ 690,059
2014	700,000	1,037,448
2013	700,000	561,113
2012	700,000	599,443
2011	700,000	613,250

In fiscal year 2014, 0.98% of roads had an RLS of 10 years or less. In fiscal year 2015, the percent of roads with an RLS of 10 years or less increased to 2.85%. The City is committed to maintain its infrastructure assets at required conditions.

**WASHINGTON CITY, UTAH**  
**Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**Utah Retirement Systems**  
**June 30, 2015**  
**Last 10 Fiscal Years**

	<u>Noncontributory System</u>	<u>Public Safety System</u>	<u>Firefighters System</u>	<u>Tier 2 Public Employees System</u>	<u>Tier 2 Public Safety and Firefighter System</u>
	<u>2015</u>	<u>2015</u>	<u>2015</u>	<u>2015</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.4627242%	0.3780941%	0.8676603%	0.1058581%	0.6825520%
Proportionate share of the net pension liability (asset)	\$ 2,009,257	\$ 475,485	\$ (49,512)	\$ (3,208)	\$ (10,097)
Covered employee payroll	\$ 3,879,945	\$ 963,677	\$ 299,332	\$ 519,405	\$ 282,173
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	51.8%	49.3%	-16.5%	-0.6%	-3.6%
Plan fiduciary net position as a percentage of the total pension liability	90.2%	90.5%	103.5%	103.5%	120.5%

Note: The City implemented GASB 68 in fiscal year 2015. Prior year information is not available.

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

**WASHINGTON CITY, UTAH**  
**Required Supplementary Information**  
**Schedule of Contributions**  
**Utah Retirement Systems**  
**June 30, 2015**  
**Last 10 Fiscal Years**

	<u>Noncontributory System</u>	<u>Public Safety System</u>	<u>Firefighters System</u>	<u>Tier 2 Public Employees System</u>	<u>Tier 2 Public Safety and Firefighter System</u>
	<u>2015</u>	<u>2015</u>	<u>2015</u>	<u>2015</u>	<u>2015</u>
Contractually required contribution	\$ 727,273	\$ 186,232	\$ 7,735	\$ 43,674	\$ 30,755
Contributions in relation to the contractually required contribution	(727,273)	(186,232)	(7,735)	(43,674)	(30,755)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 3,879,945	\$ 963,677	\$ 299,332	\$ 519,405	\$ 282,173
Contributions as a percentage of covered-employee payroll **	18.74%	19.33%	2.58%	8.41%	10.90%

Note: The City implemented GASB 68 in fiscal year 2015. Prior year information is not available.

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

\*\* Contributions as a percentage of covered-employee payroll may be different than the Board certified rate due to rounding or other administrative issues.



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## **COMBINING STATEMENTS**

## NONMAJOR GOVERNMENTAL FUNDS

### Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by property funds and trust funds.

**Property Acquisition Fund** – This fund is generally used to account for the acquisition of property.

**Fire Station Impact Fee Fund** – This fund is used to account for the collection of fire station impact fees and the expenditure of these fees on public facilities.

**General Projects Fund** – This fund is generally used to account for the acquisition and construction of major capital facilities other than those recorded in another capital projects fund.

**Recreation Fund** – This fund is used to account for recreational capital improvement projects of the City. This fund includes, in addition to other items, the collection and expenditure of park impact fees.

**Streets Fund** – This fund is used to account for street capital improvement projects of the City that are not accounted for in other funds. This fund primarily includes the collection and expenditure of street impact fees and highway taxes.

### Debt Service Funds (Blended Component Unit)

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

**Coral Canyon Special Service District** – This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest of the District.

**WASHINGTON CITY, UTAH**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2015**

	Capital Projects					Debt Service		Total Nonmajor Governmental Funds
	Property Acquisition	Fire Station Impact	General Projects	Recreation	Streets	Coral Canyon Special Service District		
<b>Assets</b>								
Cash and cash equivalents	\$ 36,160	\$ 116,614	\$ 16,140	\$ 645,943	\$ 766,842	\$ -	\$ -	\$ 1,581,699
Investments	-	-	277,392	754,686	2,486,385	-	-	3,518,463
Receivables	-	-	40	139	362	-	-	541
Property taxes receivable	-	-	-	-	-	743,862	-	743,862
Due from other governments	-	-	-	-	-	5,193	-	5,193
Restricted cash and cash equivalents	-	-	-	-	-	789,546	-	789,546
Total assets	<u>\$ 36,160</u>	<u>\$ 116,614</u>	<u>\$ 293,572</u>	<u>\$ 1,400,768</u>	<u>\$ 3,253,589</u>	<u>\$ 1,538,601</u>	<u>\$ -</u>	<u>\$ 6,639,304</u>
<b>Liabilities, deferred inflows, and fund balances</b>								
<b>Liabilities:</b>								
Accounts payable	-	\$ 4,511	-	\$ 54,420	\$ 458,325	-	-	\$ 517,256
Total liabilities	<u>-</u>	<u>4,511</u>	<u>-</u>	<u>54,420</u>	<u>458,325</u>	<u>-</u>	<u>-</u>	<u>517,256</u>
Deferred inflow of resources:								
Deferred revenue - property tax	-	-	-	-	-	743,862	-	743,862
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>743,862</u>	<u>-</u>	<u>743,862</u>
Fund balances:								
Restricted for:								
Debt service	-	-	-	-	-	794,739	-	794,739
Capital outlay - impact fees	-	112,103	-	1,337,068	1,151,345	-	-	2,600,516
Capital outlay - other	-	-	-	9,280	1,643,919	-	-	1,653,199
Assigned to:								
Capital outlay	36,160	-	293,572	-	-	-	-	329,732
Total fund balances	<u>36,160</u>	<u>112,103</u>	<u>293,572</u>	<u>1,346,348</u>	<u>2,795,264</u>	<u>794,739</u>	<u>-</u>	<u>5,378,186</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 36,160</u>	<u>\$ 116,614</u>	<u>\$ 293,572</u>	<u>\$ 1,400,768</u>	<u>\$ 3,253,589</u>	<u>\$ 1,538,601</u>	<u>\$ -</u>	<u>\$ 6,639,304</u>

**WASHINGTON CITY, UTAH**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2015**

	Capital Projects					Debt Service		Total Nonmajor Governmental Funds
	Property Acquisition	Fire Station Impact	General Projects	Recreation	Streets	Coral Canyon Special Service District	-	
<b>Revenues</b>								
Property taxes	-	-	-	-	-	-	-	732,236
Impact fees	-	108,287	-	1,057,508	879,430	-	-	2,045,225
Investment earnings	171	336	4,058	16,300	29,807	3,840	-	54,512
Miscellaneous	-	-	-	10,999	-	-	-	10,999
Total revenues	171	108,623	4,058	1,084,807	909,237	736,076	-	2,842,972
<b>Expenditures</b>								
Current:								
General government	-	-	-	-	-	203	-	203
Streets and highways	-	-	-	-	690,059	-	-	690,059
Debt service:								
Principal	-	-	-	-	-	235,000	-	235,000
Interest and fiscal charges	-	-	-	-	-	267,389	-	267,389
Bond issuance costs	-	-	-	-	-	47,219	-	47,219
Capital outlay	-	99,524	-	1,078,063	346,721	-	-	1,524,308
Total expenditures	-	99,524	-	1,078,063	1,036,780	549,811	-	2,764,178
Excess (deficiency) of revenues over (under) expenditures	171	9,099	4,058	6,744	(127,543)	186,265	-	78,794
<b>Other financing sources (uses)</b>								
Transfers in	-	-	-	-	899,838	-	-	899,838
Transfers out	-	(85,629)	(5,980)	(526,859)	(347,790)	-	-	(966,258)
Refunding bonds issued	-	-	-	-	-	3,361,000	-	3,361,000
Payment to refunded bond escrow agent	-	-	-	-	-	(3,313,781)	-	(3,313,781)
Bonds and other debt issued	-	-	-	-	-	-	-	-
Total other financing sources and (uses)	-	(85,629)	(5,980)	(526,859)	552,048	47,219	-	(19,201)
Net change in fund balances	171	(76,530)	(1,922)	(520,115)	424,505	233,484	-	59,593
Fund balances - beginning	35,989	188,633	295,494	1,866,463	2,370,759	561,255	-	5,318,593
Fund balances - ending	\$ 36,160	\$ 112,103	\$ 293,572	\$ 1,346,348	\$ 2,795,264	\$ 794,739	-	\$ 5,378,186

## NONMAJOR PROPRIETARY FUNDS

**Irrigation Fund** – This fund accounts for the activities of the City’s irrigation system, which provides services to customers and users within the City.

**Internal Debt Service Fund** – this fund accounts for funds used to provide internal financing for various projects of the City.

**WASHINGTON CITY, UTAH**  
**Combining Statement of Net Position**  
**Nonmajor Proprietary Funds**  
**June 30, 2015**

	<u>Irrigation</u>	<u>Internal Debt Service</u>	<u>Total Nonmajor Proprietary Funds</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 5,028	\$ -	\$ 5,028
Accounts receivable, net	6,454	-	6,454
Total current assets	<u>11,482</u>	<u>-</u>	<u>11,482</u>
Noncurrent assets:			
Net pension asset	106	-	106
Capital assets			
Improvements other than buildings	1,954,269	-	1,954,269
Machinery and equipment	4,990	-	4,990
Less accumulated depreciation	(305,491)	-	(305,491)
Total capital assets, net	<u>1,653,768</u>	<u>-</u>	<u>1,653,768</u>
Total noncurrent assets	<u>1,653,874</u>	<u>-</u>	<u>1,653,874</u>
Total assets	<u>1,665,356</u>	<u>-</u>	<u>1,665,356</u>
<b>Deferred outflows of resources</b>			
Deferred outflows related to pensions	983	-	983
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	969	-	969
Accrued wages and taxes	709	-	709
Compensated absences payable - current	213	-	213
Total current liabilities	<u>1,891</u>	<u>-</u>	<u>1,891</u>
Noncurrent liabilities:			
Compensated absences payable	37	-	37
Net pension liability	4,211	-	4,211
Total noncurrent liabilities	<u>4,248</u>	<u>-</u>	<u>4,248</u>
Total liabilities	<u>6,139</u>	<u>-</u>	<u>6,139</u>
<b>Deferred inflows of resources</b>			
Deferred inflows related to pensions	699	-	699
<b>Net position</b>			
Net investment in capital assets	1,653,768	-	1,653,768
Unrestricted	5,733	-	5,733
Total net position	<u>\$ 1,659,501</u>	<u>\$ -</u>	<u>\$ 1,659,501</u>

**WASHINGTON CITY, UTAH**  
**Combining Statement of Revenues, Expenses and Changes in Net Position**  
**Nonmajor Proprietary Funds**  
**For the Year Ended June 30, 2015**

	<u>Irrigation</u>	<u>Internal Debt Service</u>	<u>Total Nonmajor Enterprise Funds</u>
<b>Operating revenues:</b>			
Charges for services	\$ 16,965	\$ -	\$ 16,965
Miscellaneous	73	-	73
Total operating revenues	<u>17,038</u>	<u>-</u>	<u>17,038</u>
<b>Operating expenses:</b>			
Salaries and wages	14,313	-	14,313
Employee benefits	13,043	-	13,043
Supplies	684	-	684
Depreciation	69,993	-	69,993
Total operating expenses	<u>98,033</u>	<u>-</u>	<u>98,033</u>
Operating income (loss)	<u>(80,995)</u>	<u>-</u>	<u>(80,995)</u>
<b>Nonoperating revenues (expenses):</b>			
Investment earnings	-	3,178	3,178
Total nonoperating revenues (expenses)	<u>-</u>	<u>3,178</u>	<u>3,178</u>
Income (loss) before transfers and contributions	(80,995)	3,178	(77,817)
Transfer in	162,919	-	162,919
Transfer out	-	(337,441)	(337,441)
Capital contributions	<u>289,871</u>	<u>-</u>	<u>289,871</u>
<b>Change in net position</b>	371,795	(334,263)	37,532
Net position - beginning	1,292,203	334,263	1,626,466
Restatement adjustment	<u>(4,497)</u>	<u>-</u>	<u>(4,497)</u>
<b>Net position - ending</b>	<u>\$ 1,659,501</u>	<u>\$ -</u>	<u>\$ 1,659,501</u>



**WASHINGTON CITY, UTAH**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds**  
**For the Year Ended June 30, 2015**

	<b>Irrigation</b>	<b>Internal Debt Service</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>Cash flows from operating activities:</b>			
Cash received from customers and users	\$ 19,295	\$ -	\$ 19,295
Cash paid to suppliers	(888)	-	(888)
Cash paid to employees	(29,750)	-	(29,750)
Net cash flows from operating activities	<u>(11,343)</u>	<u>-</u>	<u>(11,343)</u>
<b>Cash flows from noncapital financing activities:</b>			
Transfers (to) from other funds	162,919	(337,441)	(174,522)
Cash received (paid) from (to) other funds	<u>(146,548)</u>	<u>-</u>	<u>(146,548)</u>
Net cash flows from noncapital financing activities	<u>16,371</u>	<u>(337,441)</u>	<u>(321,070)</u>
<b>Cash flows from investing activities:</b>			
Net change in investments	-	313,431	313,431
Interest and dividends received	-	3,209	3,209
Net cash flows from investing activities	<u>-</u>	<u>316,640</u>	<u>316,640</u>
Net change in cash and cash equivalents	5,028	(20,801)	(15,773)
Cash and cash equivalents, including restricted, beginning of year	<u>-</u>	<u>20,801</u>	<u>20,801</u>
<b>Cash and cash equivalents, including restricted, end of year</b>	<u><u>\$ 5,028</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,028</u></u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities:</b>			
Net operating income (loss)	\$ (80,995)	\$ -	\$ (80,995)
Adjustments to reconcile net operating income (loss) to net cash flows from operating activities			
Depreciation/amortization	69,993	-	69,993
Pension expense	202	-	202
Employer pension contributions	(877)	-	(877)
Changes in operating assets and liabilities:			
(Increase) decrease in receivables	2,257	-	2,257
Increase (decrease) in accounts payable	(204)	-	(204)
Increase (decrease) in accrued payroll	25	-	25
Increase (decrease) in compensated absences	<u>(1,744)</u>	<u>-</u>	<u>(1,744)</u>
Net cash flows from operating activities	<u><u>\$ (11,343)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (11,343)</u></u>
<b>Noncash investing, capital, and financing activities</b>			
Contributions of capital assets	\$ 289,871	\$ -	\$ 289,871

**OTHER SUPPLEMENTARY INFORMATION**

**WASHINGTON CITY, UTAH**  
**Other Supplementary Information**  
**Bond Disclosures**  
**For the Year Ended June 30, 2015**

Some of the City's revenue bond resolutions set forth certain covenants and restrictions. The City is in compliance with all related covenants and restrictions. Adequate funds are available in the applicable funds for reserve requirements. Additional disclosures required by the resolutions are as follows:

**WATER RATES**

Meter Size	Monthly Base Rate	Tier	Threshold gallons		Rate per 1,000 gallons
5/8"	\$18.25	1	0	5,000	\$1.00
		2	5,001	10,000	\$1.10
		3	10,001	15,000	\$1.20
		4	15,001	20,000	\$1.30
		5	20,001	25,000	\$1.40
		6	25,001	30,000	\$1.50
		7	30,001	35,000	\$1.65
		8	35,001	40,000	\$1.80
		9	40,001	Unlimited	\$1.95
3/4"	\$18.25	1	0	5,000	\$1.00
		2	5,001	10,000	\$1.10
		3	10,001	15,000	\$1.20
		4	15,001	20,000	\$1.30
		5	20,001	25,000	\$1.40
		6	25,001	30,000	\$1.50
		7	30,001	35,000	\$1.65
		8	35,001	40,000	\$1.80
		9	40,001	Unlimited	\$1.95
1"	\$33	1	0	9,000	\$1.00
		2	9,001	18,000	\$1.10
		3	18,001	27,000	\$1.20
		4	27,001	36,000	\$1.30
		5	36,001	45,000	\$1.40
		6	45,001	54,000	\$1.50
		7	54,001	63,000	\$1.65
		8	63,001	72,000	\$1.80
		9	72,001	Unlimited	\$1.95
1 1/2"	\$73	1	0	20,000	\$1.00
		2	20,001	40,000	\$1.10
		3	40,001	60,000	\$1.20
		4	60,001	80,000	\$1.30
		5	80,001	100,000	\$1.40
		6	100,001	120,000	\$1.50
		7	120,001	140,000	\$1.65
		8	140,001	160,000	\$1.80
		9	160,001	Unlimited	\$1.95
2"	\$130	1	0	36,000	\$1.00
		2	36,001	71,000	\$1.10
		3	71,001	107,000	\$1.20
		4	107,001	142,000	\$1.30
		5	142,001	178,000	\$1.40
		6	178,001	213,000	\$1.50
		7	213,001	249,000	\$1.65
		8	249,001	284,000	\$1.80
		9	284,001	Unlimited	\$1.95
3"	\$292	1	0	80,000	\$1.00
		2	80,001	160,000	\$1.10
		3	160,001	240,000	\$1.20
		4	240,001	320,000	\$1.30
		5	320,001	400,000	\$1.40
		6	400,001	480,000	\$1.50
		7	480,001	560,000	\$1.65
		8	560,001	640,000	\$1.80
		9	640,001	Unlimited	\$1.95

**WASHINGTON CITY, UTAH**  
**Other Supplementary Information**  
**Bond Disclosures, Continued**  
**For the Year Ended June 30, 2015**

**WATER RATES (Continued)**

Meter Size	Monthly Base Rate	Tier	Threshold gallons		
4"	\$518	1	0	142,000	\$1.00
		2	142,001	284,000	\$1.10
		3	284,001	426,000	\$1.20
		4	426,001	568,000	\$1.30
		5	568,001	710,000	\$1.40
		6	710,001	852,000	\$1.50
		7	852,001	994,000	\$1.65
		8	994,001	1,136,000	\$1.80
		9	1,136,001	Unlimited	\$1.95
6"	\$1,168	1	0	320,000	\$1.00
		2	320,001	640,000	\$1.10
		3	640,001	960,000	\$1.20
		4	960,001	1,280,000	\$1.30
		5	1,280,001	1,600,000	\$1.40
		6	1,600,001	1,920,000	\$1.50
		7	1,920,001	2,240,000	\$1.65
		8	2,240,001	2,560,000	\$1.80
		9	2,560,001	Unlimited	\$1.95

**ADMINISTRATIVE FEES**

	Amount	
Late Fee	5%	Of Unpaid Balance
Collection Fees	100%	Of Collection Agent Fee

**Water**

Water Connection	Meter Size	
	3/4"	\$225.00
	1"	\$275.00
	1 1/2"	\$520.50
	2"	\$661.00
	3"	\$1,982.67
	4"	\$1,982.67
	6"	TBD

**Water Impact:**

Meter Size	ERU's	
3/4"	1	\$2,121.00
1"	1.65	\$3,499.65
1 1/2"	3.73	\$7,911.33
2"	6.55	\$13,892.33
3"	14.73	\$31,242.33
4"	26.17	\$55,506.57
6"	58.88	\$124,884.48

**Sewer**

Sewer Impact:	Meter Size	ERU's	
	3/4"	1	\$1,159.00
	1"	2.16	\$1,912.35
	1 1/2"	3.73	\$4,323.07
	2"	6.55	\$7,591.45
	3"	14.73	\$17,072.07
	4"	26.17	\$30,331.03
	6"	58.88	\$68,241.92
Sewer Inspection	Standard Residential		\$150.00
	6"		\$200.00

**SEWER RATES**

	Base Rate	
Sewer Collection	\$12.65	Per ERU
Sewer Lift	\$6.27	Per ERU

*1 ERU = 6,000 gallons average monthly water usage measured December, January and February*

**SEWER SYSTEM STATISTICS:**

Utility accounts connected to the system 8,695  
Residential Equivalents connected to the system at June 30, 2015 were 10,024  
Average monthly billing per customer \$12.65

**WASHINGTON CITY, UTAH**  
**Other Supplementary Information**  
**Bond Disclosures, Continued**  
**For the Year Ended June 30, 2015**

Insurance coverage in effect at June 30, 2015:

Provider	Type	Number	Effective	Expires	Limits
Utah Local Government Trust	Auto - bodily injury liability	14680-GL2014	07/01/14	06/30/15	\$ 2,000,000
Utah Local Government Trust	Auto - property damage liability	14680-GL2014	07/01/14	06/30/15	2,000,000
Utah Local Government Trust	Auto - underinsured	14680-GL2014	07/01/14	06/30/15	80,000
Utah Local Government Trust	Auto - uninsured	14680-GL2014	07/01/14	06/30/15	80,000
Utah Local Government Trust	No fault sewer cleanup (per claim)	14680-GL2014	07/01/14	06/30/15	5,000
Utah Local Government Trust	General liability	14680-GL2014	07/01/14	06/30/15	2,000,000
Utah Local Government Trust	Property coverage - all risk	14680-GL2014	07/01/14	06/30/15	54,341,156

Fidelity bonds are in effect on City personnel accordingly: city treasurer - \$1,500,000, various other employees - \$50,000.

**OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS**

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**Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

The Honorable Mayor and  
Members of the City Council  
Washington City, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington City, Utah, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Washington City's basic financial statements and have issued our report thereon dated December 3, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Washington City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.




## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Washington City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
HintonBurdick, PLLC  
St. George, Utah  
December 3, 2015

**Independent Auditor's Report in Accordance with the *State Compliance Audit Guide* On:**

- **Compliance with General State Compliance Requirements**
- **Compliance for Each Major State Program**
- **Internal Control Over Compliance**
- **Schedule of Expenditures of State Awards**

The Honorable Mayor and  
Members of the City Council  
Washington City, Utah

**Report on Compliance with General State Requirements and for Each Major State Program**

We have audited Washington City, Utah's compliance with the applicable general state and major state program compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, that could have a direct and material effect on the City or each of its major programs for the year ended June 30, 2015.

General state compliance requirements were tested for the year ended June 30, 2015 in the following areas:

Budgetary Compliance  
Fund Balance  
Justice Courts  
Utah Retirement Systems  
Enterprise Fund Transfers, Reimbursements, Loans and Services  
Tax Levy Revenue Recognition  
Restricted Taxes  
Open and Public Meetings Act

The City received state funding from the following program classified as a major program for the year ended June 30, 2015:

B&C Road Funds (Department of Transportation)

***Management's Responsibility***

Management is responsible for compliance with the general state requirements referred to above and the requirements of laws, regulations, contracts, and grants applicable to its state programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on Washington City's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on Washington City or its major state programs occurred. An audit includes examining, on a test basis, evidence about Washington City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with general state compliance requirements and for each major state program. However, our audit does not provide a legal determination of the City's compliance.

### ***Opinion on General State Compliance Requirements and Each Major State Program***

In our opinion, Washington City, Utah, complied, in all material aspects, with the compliance requirements referred to above that could have a direct and material effect on Washington City or on each of its major state programs for the year ended June 30, 2015.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *State Compliance Audit Guide* and which is described in the accompanying schedule of findings and recommendations as item 2013-003. Our opinion on compliance is not modified with respect to these matters.

Washington City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of responses to the findings and recommendations. Washington City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of Washington City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Washington City's internal control over compliance with the compliance requirements that could have a direct and material effect on Washington City or on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and for each major state program and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Washington City's internal control over compliance.


*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a general state or major state program compliance requirement on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a general state or major state program compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a general state or major state program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of State Awards as Required by the *State Compliance Audit Guide***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 3, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by the *State Compliance Audit Guide* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards is fairly stated in all material respects in relation to the financial statements as a whole.

  
HintonBurdick, PLLC  
St. George, Utah  
December 3, 2015

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**WASHINGTON CITY, UTAH**  
**Schedule of Expenditures of State Awards**  
**For the Year Ended June 30, 2015**

**State of Utah**  
**Schedule of Expenditures of State Grants, Contracts, and Loan Funds**  
**For the Year Ended June 30, 2015**

Grant Name	Award/Contract # (if applicable)	Year of Last Audit	Expenditures
<b><u>Department of Public Safety</u></b>			
Alcohol & Drug Free Committee - DUI Equipment Grant	In-car Camera		\$ 3,925
Alcohol & Drug Free Committee - DUI Equipment Grant	Equipment only CMI SD=5 PBT		1,200
Subtotal – Department of Public Safety			5,125
<b><u>Highway Safety Office</u></b>			
DUI Overtime Grant	AR-OT-2015-Utah-00232		783
DUI Overtime Grant	AR-OT-2015-Utah-00088		764
DUI Overtime Grant	AR-OT-2015-Utah-00232		786
DUI Saturation Shift	AR-OT-2014-Utah-01075		148
DUI Taskforce Extra Patrol	AR-OT-2014-Utah-001175		152
Subtotal – Highway Safety Office			2,633
<b><u>Department of Health</u></b>			
Road Respect Program	Denis Purdue		1,180
Bureau of EMS	Per Capita		1,252
Bureau of EMS	Competitive		5,063
Subtotal – Department of Health			7,495
<b><u>Department of Natural Resources</u></b>			
Utah Fire Department Assistance Grant	Utah Fire & Rescue Academy		11,596
Subtotal – Department of Natural Resources			11,596
<b><u>Commission on Criminal and Juvenile Justice</u></b>			
JCTST Grant- Video Surveillance Cameras			2,990
Subtotal – Commission on Criminal and Juvenile Justice			2,990
<b><u>Department of Transportation</u></b>			
Class C Road Funds		FY14	768,791
Subtotal - Department of Transportation			768,791
<b><u>Substance Abuse Advisory Council</u></b>			
Beer Tax Funds			23,173
Subtotal - Substance Abuse Advisory Council			23,173
TOTAL GRANT, CONTRACT, AND LOAN FUND EXPENDITURES			<b>\$ 821,802</b>

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**WASHINGTON CITY**  
**Findings and Recommendations**  
**For the Year Ended June 30, 2015**

Honorable Mayor and City Council  
Washington City, Utah

Professional standards require that we communicate, in writing, deficiencies in internal control over financial reporting that are considered significant deficiencies or material weaknesses that are identified during the audit of the financial statements. During our audit of Washington City for the year ended June 30, 2015, we noted an area needing corrective action for the City to be in compliance with laws and regulations. This item is discussed below for your consideration.

**INTERNAL CONTROL OVER FINANCIAL REPORTING:**

**Material Weaknesses:**

None noted

**Significant Deficiencies:**

None noted

**COMPLIANCE AND OTHER MATTERS:**

**Compliance:**

2013-003      Reimbursement Interfund Transfers

The City budgets for and records interfund transfers between the water, sewer, and storm drain funds and the general fund to account for various administrative cost reimbursements/allocations. Utah Code requires that allocation rates be based on a formal study and reasonable methodology that has been conducted or updated within the last five years when utility enterprise funds are transferred to another fund that are considered a reasonable allocation of costs. In discussing this with city personnel, it appears that there is really no basis for the amounts that are transferred from the enterprise funds to the general fund. Similar figures have been used for a number of years and current city personnel appear to be uncertain as to how the City arrived at these figures. The City recently performed a cost allocation study and plans to implement it beginning with fiscal year 2016.



Accounting standards dictate that such interfund reimbursements should be treated as an adjustment to expenses or expenditures—that is, an increase in expenses in the reimbursing fund (enterprise funds) and a corresponding decrease in expenditures in the reimbursed fund (general fund)—rather than recording interfund transfers.

Recommendation

We recommend that the City move forward with its plans to base its cost allocations on the formal study that was recently performed. The City should establish a policy to ensure that the study is updated at least every five years.

We also recommend that the City more closely follow accounting standards and budget for and record interfund reimbursements as indicated above rather than using interfund transfers. A credit balance expenditure account could be utilized to record the credit to expenditures in the general fund.

**Other Matters:**

None noted

Please respond to the above findings and recommendations in letter form for submission to the state auditor's office as required by state law.

The City's written responses to the findings identified in our audit have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This letter is intended solely for the use of management, city council, others within the City and various federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

It has been a pleasure to be of service to the City this past year. We would like to express special thanks to each of you who assisted us in this year's audit. We invite you to ask questions of us throughout the year as you feel it necessary and we look forward to a continued pleasant, professional relationship.

Sincerely,



HintonBurdick, PLLC

December 3, 2015



December 7, 2015

HintonBurdick CPAs and Advisors  
63 South 300 East, Suite 100  
St. George, Utah 84770

To Whom It May Concern:

We have received and carefully reviewed the "Findings and Recommendations For the Year Ending June 30, 2015" and provide the following response.

**Interfund Allocations of Costs**

A study has been conducted to account for various administrative costs performed by the general fund and the appropriate level of cost allocation has been determined. Based on the study historical cost allocation transfers in most instances have been underfunded. Finance and administration will be working with each affected department to begin taking the necessary steps to fund their allocated share of administrative costs. The City will ensure that the study is updated at least every five years.

Please let me know if you have any additional questions.

Sincerely,



Roger Carter  
City Manager